

Congo conflict **Behind Rwanda's** aggressive behaviour Page 5



German company profits **Helping Europe fend off Asian and Russian storms**



Are the real election issues immigration and race?

Operating in China When expats ought to pack their bags Management, Page 14

WORLD NEWS

German companies face 'slave labour' lawsuits in the US

US lawyers filed lawsuits against several German companies for allegedly profiting from the use of slave labour during the second world war. Ed Fagan, the New York lawyer who was the first to sue Swiss banks over their treatment of Holocaust survivors' assets, sald he was filing sults against groups including Daimler-Benz, Volkswagen, Audi, BMW, Siemens, Krupp-Hoesch and MAN. Page 3

Greens take softer line Germany's Green party, which hopes to become junior partner in a Social Democrat-led government after elections on September 27, softened demands for higher energy prices and opposed a "go-it-alone" pacifist German foreign policy. Page 3

Action urged over oceans Maritime forces should be given the power to act against nonmilitary threats to the security of the oceans, particularly environmental dangers, according to the Independent World Commission on the Oceans. Page 5

Norway to ease restrictions Norway, departing from its increasingly stringent restrictions on alcohol advertising, approved "limited" exemption for the 1999 World Ice Hockey Championships next May.

Diana remembered Britain marked the first anniversary of the death of Diana, Princess of Wales, with flowers, prayers and a memorial fountain but there was no mass outpouring of national grief this time

Australian campalgning starts Australia's parties began campaigning for the October 3 general election in a political climate overshadowed by racism and economic woes. Page 4; Editorial Comment, Page 17

Oslo PM ordered to rest Doctors ordered Norwegian prime minister Kjell Magne Bondevik to rest for a week after he announced he was suffering from "depressive reaction from werwork". Page 3

n-stare Cyprus suggested ຕາ ∂ypriot leader Rauf proposed a confederad the island's

> nins floods. Junced a rescur pack to \$120bn in bank elp agriculture and abound from this

.-leć covernment.

, devastating floods. ı indonesia flared in three towns in Aia as anger at deepening v. army atrocities and government corruption

ded into rioting. . Gogh museum closed nsterdam's Van Gogh museum ias closed its doors to the public for nine months as workers

moved in to renovate the 25-Sweden faces minority government Sweden, preparing for a general election in three weeks, faces the prospect of a weak minority

government. Page 3 IIS shuts African embassies The US shut embassies and other facilities in the West African states of Ghana and Togo follow-

ing "increased threats".

window RATES

China unveiled plans to construct a RMB4.5bn (\$543m) rail link to the tropical island of Hainan.

BUSINESS NEWS

Daimler-Benz set for components business shake-up

Daimler-Benz, the world's biggest commercial vehicles maker, is to announce the first step in what could be a radical restructuring of its components activities. At the Hanover truck show, the company will reveal the creation of a new powertrain business combining engine, gearbox, axle and steering manufacturing activities. Page 19

The FTSE family of stock market indices is undergoing substantial changes to create a consistent system for industrial sectors covering global markets. Page 19

The European Commission approved the non-military aspects of a proposed joint venture between General Electric Company, of the UK, and Italy's Finmeccanica. Page 24

Industrial & Financial Systems, Swedish business software group, is targeting potential equisitions in the UK, Germany and elsewhere in Europe in a bid to accelerate growth. Page 20

Interbrew of Belgium abandoned a long-rumoured pursuit of Grolsch, after the Dutch producer of premium beers confirmed it had received a bid approach but rejected the proposal. Page 22

Carrier of the US, the world's largest maker of air-conditioners. and Toshiba of Japan have formed a series of joint production and marketing ventures in Europe and Asia, to consolidate their positions in the air-conditioning sector. Page 18

Chancetor Media, US radio, television and biliboard group, has completed its strategic buying spree, with a \$930m deal to take over Whiteoo, the US's largest privately held outdoor advertising company. Page 20

PartnerRe, the Bermuda-based reinsurer, will double the size of its business with the \$750m acquisition of the reinsurance activities of Winterthur. Page 22

lapan's long-term market interest rates plunged to a new low as econor c data suggested that the government's "stimulus packware failing to invigorate the world's second largest economy. Page 18; Japan's silent

Taiway barred all securities and investment trust companies from selling or buying hedge funds linked to international financier George Soros, investors have 2-a been asked not to buy the funds, which Talwan's Securities and Exchange Commission said lacked government protection.

Sakura Bank, one of Japan's largest, said it would ask its business partners in the Mitsui keiratsu, or corporate family, for a Y300bn (\$2.1bn) capital injection to boost its financial. strength. Page 20

Astra International, Indonesia's biggest car producer, responded to a first-half loss of Rp7,360bn (\$657m) with promises to lift exports, divest shares to its partners and sell one subsidiary for \$90m. Page 22

The auction of the bankrupt Kia motor group, South Korea's third largest carmaker, appeared to have collapsed amid allegations of favouritism. Page 19

Euro Prices

WORLD MARKETS

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A comprehensive statistical guide to the new euro currency zone, covering foreign exchange, bond and equity markets.

Chernomyrdin to soldier on despite rejection by Duma

By Chrystia Freeland in Mescow

Russia's political crisis deepened yesterday when parliament resoundingly rejected the nomination of Victor Chernomyrdin as prime minister. Mr Chernomyrdin, who is

backed by President Boris Yelt-sin, said he would soldier on in spite of parliament's opposition. He remains acting prime minister and said he would name an acting cabinet today.

But parliament's rejection will force Mr Chernomyrdin and his team into political limbo, weakening the government's hand as it struggles to cope with mounting economic woes.

The continuing political turmoil will form an unwelcome backdrop for President Bill Clinton, due to arrive in Moscow today. Before leaving, Mr Clinton told US schoolchildren: "If Russia will stay on the path of reform, I believe America and the rest of the west should help them."

But it is not clear what sort of help Mr Clinton and the leaders of the other Group of Seven industrialised nations are willing or able to provide. The Kremlin had hoped that Mr Chernomyrdin, a centrist who

was prime minister for five years before being sacked this spring, would be a stable, consolidating force amid the turmoil. But those expectations were dashed yesterday when the

Duma, the lower house of parlia-

received in Russia's brief post communist history. The rejection came in spite of warnings from Mr Chernomyrdin and the Kremlin that, without a legitimate cabinet, Russia risked slipping deeper into the economic abyss. "Russia today is, in essence, on

the verge of political and eco-nomic breakdown," Mr Chernomyrdin said. "Russia should not be without a government." Mr Chernomyrdin also dis-claimed responsibility for the

current crisis. "I did not make any announcements of devaluation or a moratorium on the pay ment of government debts. That was a mistake. Today it is not yet too late. Today we can still formulate a reasonable policy for the exchange rate."

These arguments failed to convince a parliament trying to use the chaos to assert a more powerful voice. The Duma, a constitutionally weak body that has generally caved in to the Kremlin, is anding vast political and economic concessions, including the president's resignation.

again to parliament. A vote must be held by next Monday, but Mr Yeltsin has the right to ask for a third vote on the nomination. If parliament rejects Mr Chernomyrdin both times, the president can unilaterally appoint the prime minister, dissolve the parliament and call fresh elections. In the interim, reformers and

The Kremlin has already renominated Mr Chernomyrdin. Feeling the strain Mr Chernomyrdin at the Duma yesterday

to propose a radical programme

of structural reforms. may be tempted to steer a more ambivalent course in an effort to on its next vote.

The political battles are compliment, humbled Mr Chernomyrdin western officials are hoping Mr cated by the weakness of Mr Yali: Asset seizing considered, Page 2 with the lowest level of support a prime ministerial nominee has Fyodorov, a former minister of tional prerogatives, in the past Lex, Page 18

lenged. But now both the leftist opposition and the business

However, Mr Chernomyrdin establishment are pushing the president to surrender some of his powers, arguing that the agewin the support of the legislature, ing leader is not up to coping with the current crisis.

finance and investment banker. Mr Yeltsin has ruled unchal-

Global markets hit by further turbulence

By Steve Thompson in London and John Labate in New York

The world's stock markets were hit by further gloomy news from Russia and Asia yesterday, with the Dow Jones Industrial Average falling back below 8,000, relinquishing its gains for the

An hour before the close of and the Nasdaq composite were each below their starting points for 1998. The Dow was down cent - while the Nasdaq Composite had plunged nearly 7 per cent,

Hang Seng falls 7% as intervention halts

Hong Kong benchmark Hang Seng Index fell 7.08 per cent yesterday after the government halted the estimated US\$14bn stock market buying spree it launched a fortnight ago. But the Hong Kong Monetary Authority, which has been orchestrating the share purchases to bring stability to the markets, has said it reserves the right to return to the markets. Report, Page 4; Big crists, Page 16

trading in New York, the Dow Europe's biggest, was closed for Tokyo and Seoul managing to the August bank holiday, and the gain ground. Tokyo's Nikkei 225 absence of some of the big interindex rose 192.26, or 1.4 per cent. national funds, because of the to 14,107. pressure out of Europe's markets. Far Eastern markets remained

London's stock market, Thailand all under pressure, but trading yesterday, adding 40 Lex, Page 18

An early after sellers reappeared. Wall Street, 1.15, or 1.7 per cent, to 65.62. as the slide in technology stocks extremely nervous with Hong which fell 5.5 per cent last week, continued.

Kong, Australia, Taiwan and gained ground at the outset of

points in quick time, but then dropped steeply, posting another three-figure decline within an hour of the opening and falling below the 8,000 level in the pro-Germany's Xetra Dax index.

which lost 3.3 per cent last week finished yesterday's session a further 28 per cent lower, closing 114.52 down at 4,811.28. France's CAC 40 settled 50.86,

or 1.4 per cent, off at 3,658.11, extending last week's 6 per cent slide. Switzerland's SMI index dropped 107.5, or 1.6 per cent, to European markets foundered as 6,679.4 and Russia's RTS index

World Stocks, Page 36

N Korean test missile fired hours before talks on sanctions

By John Burton in Secol and Michiyo Rakamoto in Tokyo

North Korea yesterday test-fired a ballistic missile aimed towards Japan in a move seen as a bargaining tactic in negotiations with the US on lifting economic sanctions.

The test provoked an angry reaction from Tokyo, which efused to endorse its financial assistance for a North Korean nuclear power project.

The missile, which Seoul identified as the new Daepodong-1 model with a range of 1,200 miles, was fired hours before North Korea and the US were expected to resume talks in New York. A US Pentagon official described the latinch as "a serious develop

. A Japanese defence official said the missile appeared to have two stages, with the second probably flying over the northern tip of Japan's main island and landing a few hundred miles off its Pacific coast. The first stage apparently dropped into the Sea of Japan between the Russian port of Vladivostok and Hokkaido

Hiromu Nonaka, Japan's chief cabinet secretary, said the missile launch was "regrettable with regard to Japan's future relations with North Korea".

North Korea has reportedly demanded the US should pay it \$500m for suspending its missile programme. With its economy collapsing. Pyongyang recently claimed missile sales were necessary to raise funds because of the US economic sanctions

The missile programme is among the issues expected to be discussed in New York. According to the South Korean foreign ministry, North Korea was using the test as a negotiating ploy.

The talks will also focus on the implementation of a 1994 accord under which North Kores agreed to freeze its nuclear weapons programme in return for the supply of two light water nuclear reactors of no military use.

The consortium, including the US, South Korea, Japan and the Ell that will build the re had agreed yesterday on financing for the \$4.6bn project. But Tokyo refused to sign the costsharing agreement.

BP Amoco opts for investment caution

By Robert Corzine

BP Amoco will adopt a more cautious stance towards investment in emerging markets. according to Sir John Browne, chief executive-designate of the oil group to be created by the planned takeover of Amoco by British Petroleum.

The new company "will not invest to defy reality", Sir John said in an interview. Although BP Amoco would not withdraw from emerging markets, "we may lengthen the investment cycle. especially when economies are shrinking", he said.

International oil companies are among the biggest direct investors in emerging markets, and any significant reduction in that investment would compound the economic problems being experienced by many such countries. Sir John said BP Amoco's strat-

egy was to focus initially on the mainly industrialised markets of member countries of the Organisation for Economic Co-operation and Development. "You get smaller growth but over a gigantic base," he said. Str

John also emphasised the "quality of earnings" in the developed world. That meant BP Amoco could selectively target investments in

emerging markets "from a very capital investment would con- future foreign investors tique to be divided along the lines of one-third to the US, one-

third to Europe and one-third to the rest of the world, averaged over the economic and commod-

ity cycles. Sir John said: "We have enough in Russia", where BP has a 10 per cent stake in Sidanco, and where Amoco has been trying to build a presence for some years.

Amoco's efforts in Russia were now in "abeyance". BP had been seen as a potential

bidder for Rosneft, the last big state-owned Russian of company due for privatisation. Although BP had said it might

be keen to acquire some Rosneft assets, such as interests on Sakhalin Island in the Russian Far East, BP Amoco had already secured its main "long-run position" through the acquisition of a large stake in an East Siberian gas field, which would not require big investments for years

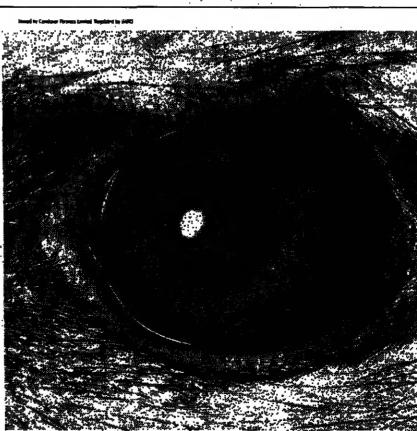
BP Amoco would, however; devote management resources to improving the efficiency of Sidanco, which he said had the potential to become a well-run

In China, Sir John said BP Amoco had a good position from which to grow "as and when" economic conditions improved. The Chinese "could do a lot" without foreign help, although he thought the present uncertainty He suggested BP Amoco's might improve the prospects of

Interview. Page 19

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The eagle's eye highlights a particular area of interest within its expansive field of view by an extraordinary ability to magnify that area by some two

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Stay away, Taiwan warns currency speculators

By James Kynige in Beijing ar Walliam Lewis in New York

Taiwan issued a sharp warning yesterday that foreign currency speculators such as George Soros would find "no quarter" to operate in domestic currency markets, after newspaper reports that the US financier was stalking the local dollar amid the current atmosphere of unease in emerging mar-

"The central bank will stringently monitor the foreign exchange market so that such speculators will find no quarter to operate here," said Chou Ah-ting, the chief of the foreign exchange department in Taiwan's central bank.

He said the central bank had found no evidence to controlled by Mr Soros had entered the local foreign exchange market. Mr Chou bank would maintain its monitoring of local markets to check whether Mr Scros r unauthorised foreign funds were active.

Mr Soros yesterday declined to comment. People close to the group said that it was seeking to establish full details about the Taiwanese central bank's statements. But the move is the latest emerging markets blow to hit the Soros group

Last week George Soros's investment funds admitted to losses of up to \$2bn as a result of the Russian economic crisis. Other funds have also admitted Russian loses, although not as big.

Reports in Taiwanese newspapers said the Quantum fund, operated by Mr Soros, had been raising business from Taiwanese clients since early this year. Authorities, however, said that neither Quantum nor Quota, another of the financiers' funds, had gained approval for local business

from Taiwan authorities. Taipei has erected considerable barriers to speculative attacks on the Taiwan dol lar. In May, the central bank virtually shut down trade of futures instruments used to pressure the local currency. In addition, inflows of funds ket are also subject to central bank approval, allowing the authorities to influence demand for the currency.

Mr Soros has denied that his funds have been the driving force behind speculative attacks on south-east Asian currencies in the last year. But the criticism he has drawn from some regional leaders, especially Mahathir Mohammad, Malaysian premier, has made him a focus

Official Chinese newspapers yesterday also mention with the mounting pressure on the Hong Kong dollar's peg with the US dollar. But the reports did not offer any evidence that Mr

Scros had been involved. his investment funds as a result of the Russian crisis came after Mr Soros wrote a letter - published in the Financial Times last month which called on the Russian government to introduce a currency board after

Other hedge funds have also been hit by the Russian crisis with at least three USbased funds having filed for

a modest devaluation.

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RUSSIAN DEBT MORATORIUM LEGALITY MAY FACE INTERNATIONAL COURT CHALLENGE

Creditors 'ponder seizing inflation' on the way Russian assets overseas'

believed to be considering seizing Russian banking assets held overseas, in retaliation for the country's 90-day moratorium on some forms of debt. Others may challenge the legality of the moratorium in the international courts.

Western creditors are ing the Russian government to lift the moratorium on local entities repaying foreign debt obligations. They claim the payment freeze is harming many individual borrowers and the country's overall reputation in international financial

Banking analysts sugg the moratorium affects more than \$700m of syndicated loan payments that become due within the 90-day period, as well as an estimated \$10bn of forward dollar con-

On August 17, the govern-

The logic was that Russian banks would have 90 days to sort out their collective liabilities and renegotiate paythereby preventing a sys-

There is no one to negotiate with, there is no

government, the central bank is in hiding. . . '

The central bank invited foreign creditors to a meeting in Moscow the following week and asked them to form a committee to discuss the repayments issue. But

bankers involved in these

temic collapse of the bank-

little progress. "As far as negotiating with

anyone here is concerned there is no one to negotiate with," said one banker. "There is no government, ments where necessary, the central bank is in hiding. and we are waiting to see what if anything happens on the political front."

Max Gutbrod, a partner at Baker & McKenzie, the US law firm which represents several foreign creditors. said some foreign banks had begun to challenge the legality of the central bank's move because there had en no official instruction introducing the moratorium. There is no likelihood

that things will be any better in three months when the moratorium ends and all that will have happened is that the difficult task of sorting out which are the good banks and which are the bad ones will have been postponed," Mr Gutbrod said. The central bank has taking action to

industry, and is encouraging could produce bigger and better-capitalised banks.

It is pressing parliament to approve legislation to nationalise SBS-Agro, the biggest commercial retail bank, although this move has been opposed by the bank itself. Margot Jacobs, a banking

analyst at United Financial Group, a Moscow-based stockbroker, said some solvent Russian entities were seeking to make repayments rium: Such banks did not wish to harm their future credit ratings.

torium might collapse any-

"I think that most western creditors believe it is not the involved in a contract between two commercial entities," she said. "And those Russian entities that

'Unstoppable wave of

weeks, economists and busi- than Rhs33bn (\$3.8bm) worth nessmen warn that, for civil of soft credits last month, The biggest disaster in

waiting is a wave of high inflation which economists predict is about to come crashing down on the country, no matter what measures the squabbling government takes. "We are now in the calm before the storm." says Al Breach, an economist at the Russian European Centre for Economic Policy; a Moscow think-tank. "For now, while the foreign down, the wave of inflation is held back. But, ultimately.

Mr Breach estimates that, even if the Kremlin were to orthodoxy starting today. an escalation of annual inflation to at least 30 per cent by the end of the year. Such a rise would be spurred on by

flooded into the economy. Mr Breach believes the also be difficult, both Russia over the past few central bank doled out more because the country's paysupplying further fuel for

the inflationary engine. But these problems are likely to be overshadowed by an even more menacing spectre: The consensus shared by most of Russia's economic and political establishment is that in the near future the government must

"I think that-now inflationary credits are unavoidable," says a senior Russian of the government reform team. "Inflation will rise by the day. The next few days therapy for the nation as it realises how serious the eco-

nomic crisis is."wave of inflation will be the government's need for money to pay its own bills. te's access to foreign

ments system is all but paralysed and because econ chaos is likely to further weaken Russia's already fee-

ble tax collection efforts. "Physically, the government cannot collect taxes." Mikhail Berger, the editor of Sevodnya, a Russian daily, explains. The only way for the government to get always been an enemy of inflation, but I now think there is no alternative. The government has no other

inflation lobby is industry, which hopes a wave of infla - which have hamstrung the Russian economy.

unavoidable," argues Joseph Piradashvilt, manager of a gas exploration company. "I

Kohl's call for measures backed by world leaders

"Dangerous and important." With these words, Helmut lor, yesterday summed up "great concern" about the crisis in Russia after talking with other world

US President Bill Clinton, Russian President Boris Yeltsin and Tony Blair, the British prime minister, at the weekend, stressed that Russia must take the necessolution to the crisis. According to Otto Hauser,

the German government spokesmen, the other leaders emphatically supported* the chancellor's assessment Mr Kohl was also due to tale-French president, Victor. Chernomyrdin, the Russian prime minister designate,

European Union and Group of Seven leading industrial countries. Mr Clinton is due to meet Mr Yeltsin today at the start of a two-day summit in Moscow.

Speaking after a meeting of his Christian Democratic Union, Mr Kohl underlined that Russia could not expect financial help from the International Monetary Fund or elsewhere without implementing promised reforms.

Theo Waigel, Germany's finance minister, yesterday added that Russia could only restore faith in its financial markets through the "determined implementation" of measures agreed with the

Stepping up the pressure on Moscow, the German gov-ernment later made clear that Russia would obtain the next \$4.8bm tranche of IMF credits this morela only if its

and other partners in the IMF reform programme were revised to reflect recent tur-

> in all his talks, stressed that Russia's stability and the continuation of political and fundamental importance for developments in Europe and

the world". significance in the chancel lor's general election campaign. Peter Hintze, the CDU's general secretary, yesterday described Mr Kohl as

an uncertain world. Elsewhere, Horst Köhler, new president of the European Bank for Reconstruction and Development, warned vesterday that the euphoria that followed the the early 1990s should not give way to "timidity or per

Retreat from Moscow takes investors back to German safe haven



Living with the euro

will be the euro benchmark, write

When you can't stand all argument about which French fund managers to the heat, get into the government bond will be the switch their investments into the French stock martors watching Russia stumble to the brink of financial collapse in the past few days did what they always do in a crisis - they bought German government bonds (Bunds) in search of the safest haven

for their money. Although US Treasury offer any evidence that Mr bond prices have also surged in response to the Russian meltdown, the most dramatic effect has been seen in the German market.

The yield on all maturities of German Bunds, from twoyear to 30-year bonds, has week, with the 10-year benchmark dropping to a yield of just 4.2 per cent - a postwar record. In contrast, investors have generally spurned French and Italian government bond markets.

Flight to Bunds suggests which bond (ATS/bund spread) Edward Luce and Vincent Boland

government bond will be the switch their investments benchmark in euros after into the French stock marsaid Kirit Shah, chief market strategist at Sanwa International in London. "The benchmark in euros will be

Russians queue putaide a bank vesterdey. Many savers have decided their money would be safer el-

German government bonds." The degree of investor bias towards Bunds has been dramatic. Before the Russian at a significant spread to its crisis, German government bonds actually traded at a Italian government bond has spread (risk premium) over widened even further from a their French government spread of 23 basis points counterparts of between 5 over Bunds earlier this year and 10 basis points (a basis to almost 60 basis points at point is a hundredth of a one point last week.

percentage point). market. These incentives HSBC Markets. were removed earlier this This should put an end to year, prompting many development for France, London, which is Europe's by the guro.

into the French stock mar-More important, though, the scramble for safety in the last few weeks has shown the extent of investor preference for German bonds. The French government benchmark now trades German counterpart. The

Bunds were the big bene-This was partly due to the ficiary when this [Russian] fact that the French govern- crisis started because, when ment provided tax breaks to all is said and done, Ger-French insurance companies many is the best credit risk which put their money in in Europe," said Philip the French government bond Tyson, bond strategist at That will not be a welcome

which has been pushing the French officials - and French bankers - maintain

> nid and transparent than the Bund market and that its auction system is the most sophisticated approach to supplying new stock to investors. Benchmark status matters for Paris, which is in danger of being sidelined by both

financial capital, and Frankclaims of the OAT market furt, which is home to the for benchmark status. new European central bank. The new Anglo-German the OAT market is more liqthat isolation more acute:

influence the direction and role of Europe's debt markets, an increasingly important area of the continent's single capital market created

activity in government were not en bonds is driven by what hap- Punds available pens in the futures markets, - market to cover where investors buy and sell 'them in the futu contracts to deliver bonds at a certain future date. In this area, the Bund market was the clear winner last week. Turnover in bund futures

exceeded 800,000 contracts a day once or twice last week investors switched into Germany from more perinheral markets such as Spain and Italy. In contrast, the French to go around.

bond future has remained stuck on a daily turnover of an underlying benchmark It is generally used to hedge

investor risks. "The hund futures con. nais Being the benchmark tract is clearly the most liquid, and last week investors were looking for liquidity." said Lorenzo Codogno, head Bank of America.

However, a large part of the price rise was caused by Germany as the safest credit

the Bund marks. other words, there plenty of supply there are not enough bu

"The technical squee, demonstrated that the Buno a contract which is based on the best benchmark if it is going to be knocked about such as a government bond. by these types of factors," strategist at Crédit Lyon-

Some analysts suggest could provide the liquidity to of European economics at serve as an effective benchmark. Whatever the answer,

ECB governors unlikely to change monetary policy



ECB watch

What Asia has failed to achieve in the last year, Russia has done in just a few weeks. European economists are finally beginning to spread of the global financial European economy.

For the first time, ecopean interest rate cut. Previously, the consensus had been that short-term interest and France of 3.3 per cent. In a forecast typical of cur-

Memories remain of knee-jerk cuts in 1987, when boom-bust cycles were worsened, Wolfgang Münchau writes

stick to its central scenario a shift on monetary policy. of year-end rates of 3.5 per Privately, ECB officials cent, but admitted the seem to be cautious about chances were rising that the hypothetical link rates might not change at between events in Russia worry about the contagious all. The deterioration in the and Asia and the interest emerging markets has led us rates of Europe. A decline in crisis and its impact on the to introduce a risk scenario European stock market val-(40 per cent probability) ues will not by itself influwhere the ongoing crisis has ence monetary policy except nomic analysts are holding a significant impact on through its direct effect on out the prospect of a Euro- growth in the euro-land economic growth. Memories

latest euro publication, What will the governors of would be higher than the and the various national ably not much. The 17 gover- monetary growth. Monetary to counteract capacity short- medium term. nors meet today for their policy itself exacerbated the ages in the medium term. The ECB is therefore the Europe regular monthly session, but boom-bust cycle in some The monetary conditions of likely to remain more contice office.

area," the bank said in its are still fresh of the 1987 led some governments and interest rate cuts, despite

Economic indicators for euro-11 countries Jun 1998 . May 98 . Apr 98 1,1 1,8" 22" 11.4 11.6 11,8 14 7.2 -88 90.2 735 . 1997 1996 4211 -0211 S mo over previous 3 mo 30 25 18

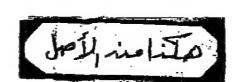
war lows. This is the nor- tion forecasts, or a wider another direction. ness cycle when a central point towards a moderate inflation for the euro-zone of electronic money prod-

European interest rates whether one looks at mone about deflation, unless and stock market crash, which are already near their post- tary aggregates, direct infla- until the data point in rates for the euro-zone the European Central Bank central banks into knee-jerk mally the time in the busi-

· le julipa

further during the mon France and Austria had lowest inflation rates, a per cent, while pyrtuga. the highest, 2.8 per cen If the July inflation (members of economic a. tries would have failed to Spain, Portugal and Ireland. the allowed 1.5 per cent deviation from the average of the best three. • The European Central Bank yesterday called for

tough restrictions on issuers current rates of Germany central banks do? Presum- evidence of unsustainable bank starts to tighten policy tightening of policy in the was 1.4 per cent in July, the ucts, such as pre-loaded cash same as June, said Eurostat, cards. The recommendations The ECB is therefore the European Union statis- are intended to prevent electronic money from turning sche Bank said it would they are unlikely to signal countries, especially the UK. the euro-sone - no matter cerned about inflation than . The difference between into a rival monetary unit. monet



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Demands for compensation for slave labour in German factories during the war are

einrich von Pierer, a labourers, or Zwangsarbei- filed by Holocaust survivors

Mr von Münchhausen has

already forced two compa-

labourers, and says more

There have been hig pay-

By Raigh Atkins in Bonn

Germany's Green party, as a "gifted" politician. which hopes to become junior partner in a Social Democrat-led government after the election on September 27, yesterday softened its demands for higher energy prices and opposed a "go-italone" pacifist German for-

Unveiling a priority list for the first months of a new government, Gunda Röstel. one of the Green's national leaders, claimed a "high degree of overlap" with the said such a deal was "light 100-day programme set out by Gerhard Schröder, the SPD's chancellor candidate.

Although the Greens still for Germany. back closing nuclear power stations "as soon as possible" and advocate offering substantial turnaround for the environment party since

deburg backed an eventual tripling of petrol prices to DM5 (\$2.70) a litre and opposed the deployment of

German troops abroad. From a peak of more than 10 per cent at the beginning of the year, the Greens' opinion poll rating has tumbled to close to the 5 per cent hurdle set to exclude extremists from the Bundestag, or parliament.

However, the Greens' cred- insurance contributions. ibility may have been given an unexpected boost by Mr Kohl, who in an interview last week paid tribute to those Greens who held "conservative values". He praised prominent of the Green's alone".

minister under Mr Schröder,

Mr Kohl's comments heightened speculation that the CDU might even seek to forge a coalition with the Greens, particularly if the small Free Democrat party, junior partner in the existing government, failed to jump the 5 per cent hurdle on September 27. Subsequently, however, the CDU has dismissed the possibility: Peter Hintze, party general secretary, yesterday years away". He criticised the Greens' election priority list as "a shock programme

Like the SPD, the Greens' priority programme backed an "alliance for jobs" to heroin to severe drug tackle unemployment. It addicts, the tone marked a called for a "socially just", revenue-neutral tax reform which would finance a cut in the basic rate of income tax Then, a conference in Mag- from 25.9 per cent to 18.5 per cent through a broadening of the tax base and a greater emphasis on wealth taxes.

On ecological taxes, the Greens set as "a first step" an agreement on energy taxes at the European Union level. Increased petrol taxes would be subject to negotiation in coalition talks, Ms Röstel said. Greens would use proceeds from ecological taxes to fund a cut in social

Jürgen Trittin, another spokesman, envisaged "no great problems" working with the SPD in foreign policy . The Greens rejected leaving Nato because the Joschka Fischer, the most country could not "go it

By Graham Bowley in Frankfust and John Authors in New York

to face legal charges when it nies to pay former slave was hit by a US lawsuit poison gas used in concentration camps. Several industrialists openly admit that their corporate predecessors used

German industrial company

outs in other war-related cases. Last month Swiss demands for retribution banks paid \$1.26bn to settle prisoners in their factories. has done enough. legal claims linked to their wartime role. Five European However, they say they paid insurers, among them Alliwages which were then confiscated by the Nazis. Some, anz of Germany, have agreed like Daimler-Benz and Sieto a commission to work out what they owe in unpaid insurance claims taken out by Holocaust survivors. But the spotlight is now switching more directly on lecturer from northern Ger- to Germany. The country's two biggest commercial

mens, offered some compen-But companies deny they are now legally obliged to pay more - they argue that responsibility lies with the

growing louder, but companies say Bonn should pay, reports Graham Bowley Bonn however rejects this German industrialist, ter, forced to work in facto- in the US. Last week, argument. Chancellor Hel-told rowdy protesters ries in wartime Germany. Deguasa became the first big mut. Kohl thinks any Deguasa became the first big mut. Kohl thinks any demands for unpaid wages or compensation are the business of individual comalleging it made Zyklon B panies. He believes the government - which has paid out more than DM100bn

> chink in the government's sation in the 1950s and 1960s. armour when a Bonn court he is now talking to other board, and favours a ruled that it should pay back-wages to a Hungarian woman who had worked in Auschwitz. The judge ruled present government since it that she was entitled to is, they say, the legal heir to

pensation for her time in the concentration camp.

Now Mr von Münchhausen many other Zwangsarbeiter. On behalf of one group of by the government. prisoners, he approached Diehl, a Nuremberg-based machinery maker, which agreed to set up a fund to ately be open to a law propay its former workers.

His biggest scalp so far is Münchhausen says. (\$55bn) for victims of the Volkswagen. The car group Nazis, although none directly for slave labour its Wolfsburg factory. VW said it had no legal responsi-

Mr von Münchhausen says companies, including Hochindustrialists to establish a pressure to compensate for money because she had so joint fund, to which they

Several companies including BMW and Daimler-Benz - have said they would says he is getting calls from be willing to take part in a national fund, if it is backed

"They say to me, we could pay into this German fund but then we would immedi-

cess in the US." Mr von

The government's posiagreed to set up a fund for tion, however, may not be Nazi victims who worked at fixed in stone, despite Mr Kohl's opposition to the use of public funds. Gerhard But this is where Mr von Münchhausen comes in.

Last year he found a "historical and moral responsibility". " an "historical and moral crat challenging Mr Rohl in next month's elections, also site on VW's supervisory." sits on VW's supervisory national, government-backed tief, the building group, fund. If he wins, companies Bosch and Siemens. One might suddenly find themsolution, he says, is for selves under even greater

the sufferings of their war-

Lawsuits filed in US court against leading German companies

Forced labourers of the Third Reich make themselves heard

outside his company's 150th

anniversary celebrations in

Berlin last autumn that he

would not nov compensation

in his factories during the

But, one year on, the

have only grown louder.

Captains of industry, like Mr

von Pierer, the head of Sie-

mens, are being forced to

peer into their companies'

past to address their role in

One source of pressure is

provided by Klaus von

Münchhausen, a university

many backed by an anony-

mous sponsor, who is cham-

Hitler's war machine.

second world war.

to slave labourers who toiled will cave in soon.

US lawyers yesterday filed lawsuits against several leading German companies for allegedly profiting from

launched the first lawsuit against Swiss banks over their treatment of Holocaust survivors' assets, said he was filing suits in a US court

banks - Deutsche and Dresd-

Volkswagen, Audi. BMW, Siemens, Krupp-Hoesch and

The action could set a precedent for other legal moves

Ed Fagan, the New York mes including Daimler-Benz, effort and will increase publication the Swiss com-lawyer who two years ago Volkswagen, Audi. BMW, lic pressure on German commercial banks on behalf of lic pressure on German com-

Last week two other leading US lawyers, Michael Hausfeld and Melvyn Weiss, on behalf of survivors of fac- who took the lead in negotia-

against the German compatories used in the Nazi war ting last month's \$1.2bn set-Holocaust survivors, said they were preparing law nies on behalf of former pris-

mercial banks on behalf of compensation not for backwages that should have been for the profits that companies gained from exploiting

Swedish Centre party warns left and right

By Tim Burt in Stockholm

Sweden, preparing for a crats forged an alliance with general election in three the Left - who economists weeks, is facing the prospect fear would demand an end to of a weak minority govern- public spending restraint ment after a warning from current polls suggest it the cour .rv's Centre party that ne' or the ruling Social majority in parliament. Simi-Demo ra' nor the opposi-tion Mr erate party could challet parties including the re', or its support to form a Moderates and Centre would

enmart Daleus, leader of he Centre party, told the Financial Times he would campaign for a non-socialist government - in effect tearing up his party's informal four-year alliance with the

Social Democrats. Mr Daleus, who took over as party leader only in June, also said deep policy differences with the Moderate porty led by Carl Bildt, forer prime minister, could indermine attempts to form a centre-right coalition.

"We have stated very class ; that we want a new " u different government," ne said in an interview. "Our co-operation with the Social Democrats is at an end, but we have reservations about

the Moderates." In the absence of support from the Centre party, Swedish economists fear the Social Democrats could be ance with the former communist Left party, which has seen its support rise to almost 11 per cent in recent this autumn. opinion polls.

"It is quite probable that we will see a rather messy negotiating game after the election." said Kals Eklund. chief economist at Skandina-

Oslo PM ordered

Even if the Social Demowould fall short of a 175-seat be unlikely to muster much

more than 160 seats. Most analysts predict the September 20 poll will result in an SDP minority govern-

Mr Daleus, however, said he would campaign for a centrist government of the Centre, Christian Democrats and Liberal parties - which would endorse the Centre's policy of decommissioning Sweden's nuclear power stations and its scepticism towards European economic and monetary union.

Mr Daleus declined to say whether the centre would bury its differences with the Moderates to block a Social Democrat-Left axis. • Erik Asbrink, finance minister, yesterday said the

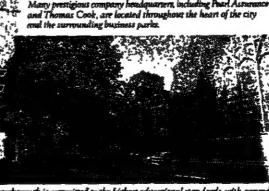
Social Democratic party

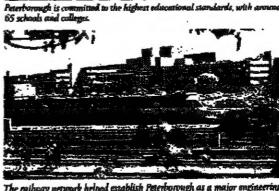
would take part in crossparty talks on income tax reform after the election. Although the SDP maniforced into a reluctant alli- festo has played down the prospect of tax cuts, Mr Ashrink predicted talks on possible reforms would begin

> "It is too early to say whether there will be any agreement, and any tax cuts that lead to overheating are not desirable," he said in an

Busines's succes







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to rest for a week decline in the Oslo Totalindeks, by more than 20 per cent in August, and political

Shopping includes the historic iourn centre and the impressive modern .

ate Centre. There are also many sports and leisure activities, fr

By Valeria Skillid in Oslo

Kjell Magne Bondevik, the Norwegian prime minister, yesterday announced he was suffering from "depressive reaction from overwork" after mounting criticism of his government's economic policy and sharp swings in the value of the krone.

Doctors have ordered Mr Boudevik - who heads a weak centre-right coalition to take "reek's sick leave. The aprecedented move CORP A week after Norway's of the Centre party, will al hank abandoned its assume his duties. stence of the krone after

increasing interest rates seven times this year. The prime minister's illness also follows a sharp tinian area next week.

infighting over the forthcom

ing annual budget Opposition parties and leading Norwegian economists have blamed Mr Bondevik's administration for failing to prevent overheating in the economy, which has been hit by sharply lower oil revenues and

excessive wage increases. Anne Enger Lahnstein, culture minister and leader

Mr Bondevik, an ordained priest, has postponed a planned official visit to Egypt, Israel and the Pales

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Authorities retreat from stock market

By Louise Lucas in Hong Kong

The Hong Kong government 7.08 per cent plunge on the record HK\$79bn notched up stability is threatened. Its benchmark Hang Seng on Friday, suggesting much index, just two weeks after it of the big institutional selllaunched an estimated ing had already been com-US\$14hn buving spree.

dence of government inter- of the Hong Kong Monetary vention yesterday and said Authority, the de facto cen- the futures market. Brokers move to let the market corany buying conducted on its tral bank that has been welcomed the retreat, which rect a little to at least semibehalf would have been min- orchestrating the govern- came against a background real levels. It just was not

the same sovereignty,

and Hong Kong are moving

closer together in ways few

busily building national

The territory is reckoned,

10 per cent of HSBC Hold-

ings, the Hong Kong-based

international banking group.

Brokers also calculate the

government now holds some

11 per cent of Swire Pacific,

the British-controlled con-

glomerate, and 9 per cent of

tycoon Li Ka-shing's flagship

"Does any country where

the regulator has a 10 per

cent stake in its number one

company that it regulates

bead at Indosuez W.I. Carr.

The question of credibility

Hanoi's Noi Bai airport on

his way to the US, after

spending 20 years in prison

in Vietnam for advocating

The releases of both Mr

Hoat, a 55-year-old academic,

56-year-old doctor, were

announced on Friday, under

a general amnesty affecting

peaceful political reform.

company, Cheung Kong.

stakes in the private sector.

imagined possible.

and buying the discounted temporary. futures contracts.

stock market, prompting a (US\$848m) down from the to the markets when it feels pleted during the past two dollar and profited on the

as it grapples with financial crisis

Hong Kong throughout the

government's estimated

US\$14bn share-buying binge.

at banishing from the mar-

Kong Monetary Authority,

the de facto central bank. It

Some speculators, whose

profits were reduced by the

government-led share rally

and by higher funding costs

due to rising interest rates.

left the market. But many

more have stayed, rolling

over their futures positions

- which realise profits if the

cash index closes lower -

big hedge funds have proba-bly been wounded in Hong

Kong because funding was

able for borrowing in the

Hang Seng Index constitu-

have been raised repeatedly

Vietnam's top 10 political

prisoners, from the point of

view of foreign governments.

then Hoat and Que would be

one and two," said a foreign

Both men have roots in

gentsia in Ho Chi Minh City,

formerly Saigon, and both

were first imprisoned in the

late 1970s for advocating

diplomat in Hanoi.

and of Nguyen Dan Que, a the non-communist intelli-

"In the last month very

into the next month.

has had a limited success.

China is actively trying to kets speculators who sought

disband its lumbering state to attack the currency and

owned enterprises, while capitalise on subsequent

Hong Kong - an autono- stock market falls, has been

mous capitalist crucible - is orchestrated by the Hong

have financial credibility? expensive and the govern-

The answer is No," says ment successfully limited

Simon Maughan, research the amount of stock avail-

The share-buying, aimed

The authorities' share-buying 'binge' has not only built up stakes in the private sector

but has also led to questions about credibility and confidence, writes Louise Lucas

original foray was designed to frustrate of speculators who attacked the Hong Kong subsequent fall in the stock market through positions in

hedge funds have been short

(selling securities not owned

in anticipation of buying

them back at cheaper prices!

of the market for quite a

long time, and from much

higher levels, so they gave

up some of the gains but

probably have easily enough

That, unfortunately for the

government, is not to say all

to dislodge. Far from it.

International fund managers

have pared back their Hone

Kong holdings as far as the

terms of their investment

less forced institutions like

ourselves who had big Hang

Seng Index holdings to sell

some, because we had

bought at prices 20 per cent

lower and all of a sudden

they are up 20 per cent, and we know that the buyer can-

not continue for ever," says

Robert Conion, chief invest-

ment officer at Guinness

Flight in Hong Kong. The

fund management company,

- and the implications for ents," says Jim Mellon, confidence and its role as chairman of Regent Pacific, regional financial centre - which itself runs smaller and buying up comparable of support, pushed the Hang for the falls of the financial centre - which itself runs smaller and buying up comparable cent yesterday; further falls

criteria will let them.

capacity to see it through."

profits by dumping stock markets, is expected to be kets across Asia. The Thai levels," he said. market closed down 3.7 per The HKMA has said it cent, and Malaysian and Turnover was HK\$6.57bn reserves the right to return South Korean shares lost 3.4

Kent Rossiter, director at Nikko Securities Company. said yesterday's retreat suggested the government was aiming for a soft land-

ing.
"It is probably the right imal. Instead, the floor was ment share purchases in a of further uncertainty in going to attract any inves-left clear for traders to reap bid to bring stability to the Russia and tumbling mar-

fighting to prevent.

ers retreating, the govern-

ment dominates the "blue

chip" market - along with

the companies and directors

who have so escerly, and so

back their own shares in the

which began on August 14.

arrangement may be raising

a few eyebrows, but it is not

unparalleled. "The govern-

ment and a lot of the compa-

nies they are buying into are

already in alliance in many

Naturally, the big money made in the past - the gene-

sis of the property and stock market "bubble" - is unlik-

ely to be repeated in the cur-

rent exercise. Rather, the

government holding is an

overhang on the market as

investors await its exit. This.

combined with withdrawal

ways," notes Mr Mellon.

This

The Hang Seng index is tracted markets from more still 9.4 per cent higher than upon opening on August 14, when it stood at 6,649 and the government began its buying. However, even with a controlled retreat volatility

is expected to remain. has been fairly shattered, at credit ratings of Hong Kong least from an institutional to single-A/A-1 from single point of view, by the way the economy has been trending." said Robert Sassoon, head of research at SG.

fundamental factors, including the release of official projections for a 4 per cent condomestic product.

• Standard & Poor's lowered the long- and short-term "Confidence in the market foreign currency sovereign A-plus A-1-plus to "reflect a decline in Hong Kong's financial flexibility due to the growing impact of East



are likely, brokers say. One option, says Mr Maughan, would be to sequester off the accumulated

restrictions in the futures market versus the gain from saving the currency peg. That's the trade-off now. The share portfolio into an armslength company, cease intergovernment is not looking at vention and introduce strina winning or losing position. gent curbs on futures tradjust the smaller of two losses ing. Such restrictions may and at this stage mainteappear against the grain but nance of the peg is upper "at this stage the calculation most in everyone's mind."

Kuala Lumpur curbs offshore share trading

in Kuala Lumpur

Malaysia effectively barred offshore trading of shares designed to tighten its grip over financial markets. Analysts said the measures might be a precursor to the announcement of outright capital controls, possibly as early as today.

Mahathir Mohamad, the prime minister, will chair a which he is expected to announce new initiatives to revive the economy.

public holiday, Mohd Azlan Hashim, executive chairman of Kuala Lumpur Stock Exchange, said all share scripts must now be deposited with the exchange buyer or seller must be disclosed, even on nominee accounts. And the exchange will only accept trades through its own market or

"These measures are necimplemented now, without delay, whilst we are on the road to recovery." he said. Speculation about possible apital controls have been

ties announced worse than expected 6.8 per cent contraction in the second quarter last week and then Carr Securities. "It's going to stepped up efforts to loosen damp sentiment and delay monetary policy.

through the monetary loosening would flow offshore. where rates for ringgit deposits are higher, unless yesterday in a move curbs were instituted. The policy shift, along with prospective capital controls. is thought to have prompted the resignation of Ahmad Mohamed Don, central bank governor, and his deputy. Fong Weng Phak. Banking sources said the governor feared such policies would abinet meeting today, after cut Malaysia off from international capital markets.

Singapore, a neighbour and financial rival, is likely At a hastily arranged to react coolly to Malaysia's press conference yesterday, announcement. Kuala Lumper does not recognise the offshore over-the-counter (OTC) market in Singapore, where analysts say shortselling in Malaysian shares and may not withdrawn. The buyer or seller must be dissays 15 per cent of listed on its OTC market.

The Malaysian authorities tried ending short-selling as the benchmark equities index plunged 70 per cent essary and needed to be from its peak last year before the regional financial crisis broke.

were unlikely to produce building since the authori- stock market prices], I don't see much to be controlled, said Paul Alapat, senior

Beijing plans Hainan rail link

By James Kynge in Beijing

plans to construct a RMB4.5bn (\$543m) rail link to the tropical island of Hainan, a further signal of its intention to boost economic growth by infrastruc-

The link would involve laying 542km of track and constructing China's first train ferry service across the separates the island from the mainland. The project is expected to be completed in 2001 and be funded by the railway ministry and the Guangdong and Hainan pro-

vincial governments. The project, announced yesterday in the People's Daily newspaper, is one of

for construction over the revealed plans for a RMB63.6bn link between Tibet and Yunnan province in China's south-west.

There is also much official debate over when and, in what form, to approve what would be China's most prestigious rail endeavour - a high-speed railway link join-

Japanese government agencies have already made proposals to China's railway ministry for the construction of the Nanjing-Shanghai leg using Japanese contractors and concessionary credit, foreign diplomats said. China plans to boost spending on railway construction to RMB45bn this year from RMB34.9bn last year.

Hard times, racist overtones cloud Australian poll battle

John Howard, Australia's prime minister, gave a rare yesterday, yelling "G'day" and glad-handing war veterans at the local Returned Servicemen's League club in his Sydney suburban electorate of Bennelong.

The silver-haired crowd in this bastion of white, iniddleclass respectability nodded as he praised his government's economic management. His was the only crew compped to guide Australia through "these difficult eco-nomic times," he said. On the other side of town,

in Sydney's gritty industrial suburbs. Kim Beazley, portly leader of the opposition Labor Party, donned a hairnet and headed into a voghurt factory. Workers from mixed ethnic backgrounds, clasped his hands as be promised a "caring government" that would create jobs and ease the tax burden for low and middleincome carners.

Further north, in Queensland. Pauline Hanson was playing to a very different audience. The controversial leader of the populist One Nation party was telling locals in the semi-rural town of Helidon about her party's new tax policy, to be unveiled on Thursday, "We will target the multinationals and other people coming in here, ripping off this country, taking the profits out of Australia without paying their fair share of tax," she said. The crowd roared

drawing the battle lines after partner of Mr Howard's Lib- Howard's proposal, Labor politics in Australia.



erals. The latest opinion poll

Mr Howard on Sunday called a general election for October 3, ending months of speclarity had risen again after a ulation about the timing of a poll. All 148 seats in the Howard's mid-August House of Representatives and half the 76 seats in the tax reforms. One Nation's Senate will be contested.

in normal times, the contrasting styles of the main political parties and their leaders would give a reasonable indication of the likely poli result. But these are no ordinary times for Australia.

The campaign period was launched as the Australian dollar floundered around record lows, the stock market reached its lowest levels since last year and economic growth faltered amid plunging commodities prices.

More significantly, the rise 10 per cent goods and serof One Nation this year has played havoc with traditional voting patterns and eroded the rural base of the low and middle-income Australia's politicians are National party, the coalition groups. But unlike Mr

the economy, however, has cast doubt over the size of future surpluses and day to shift his campaign emphasis. He stressed economic management as the

pluses to fund tax cuts.

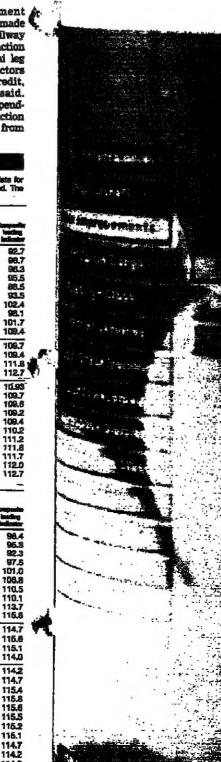
The recent deterioration of

Many observers warn the real issue lies in One Nation's growing popularity and palpable disaffection in rural electorates with the main parties. In some urhan areas, there is evidence of a growing backlash against immigration and rising unemployment. One Nation is also expected to attack Mr Howard's GST proposal, which has already proven ular with voters

But Mr Howard has shown Nation. The only politicians yesterday to take issue with the party's anti-immigration four former prime ministers, in an unprecedented move, published an open letter urging voters to shun racist

"Racism is an unmittgated evil, it is immoral, it does Australia significant harm through Asia and the wider world," said Malcolm Fraser, Howard's coalition has a former Liberal prime minister, and Gough Whitlam Paul Keating and Bob Rawke, former Labor prime sonal income tax cuts and a ministers. "We ask you not to forget the racist debates that have grown in Australia in recent times. At this election, everyone has the opportunity to demonstrate that Yearly data for retail sales volume and industrial production plus all data for the vacancy rate indicator are in index form with 1965-100, Quarterly and months

retail sales and in unemployment re	ite is show	as a pe	rcentage	of the to	a labour	IOIGE, INGOIS	9 KM WR3 CO	or about	e manif	HEADOW.	se euc-be	IOU YEARS	h		
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	10000		min	Indicator	Indicator	-	production	and a	indicator	indenter	10	production	- Inject	Indicator	Companie leading indicator
1988	113.0 115.5	110.7 112.7	5.4 5.2	104.9	100.5	122.6	113.1	2.5	135.2	98.4	109.1	108,3	- 6.2	765.1	92.7
1990	115.2	112.4	5.5	82.7	93.7	132.6 141.6	119.7 124.5	2.2	146.3 149.8	102.4	111.9 119.7	111.4	5.5 4.8	219.5	96.7 96.3
1991	113.3	110.2	6.5	61.7	96.1	144.5	126.8	2.1	144.2	95.3	125.0	121.7	4.2	261.9 297.9	95.5
1992	117.0	113.5	7.4	61.8	103.2	139.7	119.0	2.1	124.2	91.0	122.8	120.0	7.7	287.9	88.5
1993	122.2	117.7	6.8	67.7	106.6	131.7	113.8	2.5	105.8	92.6	119.7	112.5	7.9	229.0	88.5 93.5
1994 1985	129.2 132.6	124.0	6.0	79.0	112.8	129,4	114.5	29	99.4	97.5	117.6	417.6	. 8.4	241.2	102.4
1996	137.5	134.7	5.5 5.4	79.3 77.0	115.8 120.6	128.4 132.6	118.5 121.7	3.1	103.2 115.3	99.7 100.7	115.5	119,4	8.2	268.3	98.1
1997	143.0	141.4	4.9	79.0	127.9	132.0	126.8	3.4	120.6	97.8	117.2 115.7	119.0	8.8 9.7	282.8	101.7 109.4
3rd qtr.1997	4.8	4.9	4,8	78.9	128.0	-1.5	3.9	3.4	121.0	99.7	-3.0	2.6	10.1	286.1	109.7
4th qtr.1997 1st qtr.1998	4.0 5.1	5.8	4.6	80.0	127.9	-2.9	-0.7	24	118.7	97.8	-1.4	3.2	10.3	298.3	109.4
2nd qtr.1956	7.6	4,7 4.0	4.6	81.7 80.3	129.0 128.0	-9.0	-3.9	3.6	110.4	96.9	0.5	5.7	10.1	318.6	111.8
August 1997	5.3	5.0	4.8	77.7	127.1		-8.5		104.2	96.9	-1.8	3.2		363.9	112.7
September	4.2	5.0	4.9	80.4	128.0	-0.3 -2.0	3.5	3.4	120.4	100.2	-2.4	0.9	10.1	289.1	10.93
October	3,4	5.8	4.7	78.5	128.5	-23	1.3	3.4	122.1 119.7	99.2	-3.4 0.7	1.4 3.8	10.2	289.1	109.7
November	4.2	5.8	4.6	82.6	128.2	-2.1	-27	3.5	118.7	98.5	-24	2.7	10.3	300.8	109.2
December	4.6	5.7	4.6	78.9	127.9	-4,4	-0.9	3.4	119.5	97.8	-26	3.3	10.3	301.6	109.4
Jenuary 1998 February	4.9 4.9	5.4 4.3	4.8 4.6	79.6	127.8 128.0	-1.8	-2.5	3.5	112.0	97.7	0.5	7.8	10.1	301.6	110.2
Merch	5.5	4.5	4,7	82.2 83.2	129.0	-5.2 -18.0	-3.9 -5.1	3.6	107,4	97.1	-0.1	4.9	10.1	317.5	111.2
April	7.0	4.3	4.3	80.G	128.9	10.8	-6.6	4.1	105.7	96.9 96.3	1,0 -1.6	2.8	10.0	335.8 352.5	111.8
May	8.2	4.6	4.3	81.2	128.6	1012	-11.2	4.3	99.2	96.4	-0.7	5.4	9.8	369.1	112.0
June July	7.6	3.2 1.8		81.3	128.0		-7.6		107.6	96.9	-32	. 1.6		871.8	1127
		1,0													-
		AMOR					14								
	II FR	ANCE		*****		II ITAL					E UNI	TED K	NGD		
	FR	ANCE	Unemp-	Victority role technolor	Companie Internal	Person	Industrial	1	Statement Cymbert	Composite leading	Petall	behalfel	Unamp- loyment		Composite
1988	FR	Industrial		Victoria rate tydister 135.3	Composite leading leadcoint 101.3	Result select rolute	leduscial production		rate	indextor	Retail action volume	bedanktel production	Unamp- logomet othe	Vacancy rata indicater	Computer Indicator
1069	107.9 109.5	107.2 111.1	10.0 9.4	135.3 160.6	101.3 101.2	107.6 116.5	industrial production 114.3		10.0 10.0	Composite hedry indicator 100.3 98.3	Petall	bedualter production 111.7	Unamp- toposide stree	Vacancy rata indicater	96.4
1969	107.9 109.5 110.4	107.2 111.1 112.6	10.0 9.4 8.9	135.3 160.6 163.2	101.3 101.2 84.9	107.6 116.5 114.4	114.3 118.7		10.0 10.0 9.1	100.3 98.3 94.0	70100 volume 117,8 120.1 121.1	111.7 114.0 113.7	8.6 7.2 6.9	Vacancy rata indicater	
1966 1960 1991	107.9 109.5 110.4 110.2	107.2 111.1 112.6 111.5	10.0 9.4 8.9 9.4	135.3 160.6 163.2 128.2	101.2 101.2 84.9 96.3	107.6 116.5 114.4 114.6	114.3 118.7 118.0 116.9		10.0 10.0 9.1 8.8	100.3 98.3 94.0 97.4	117.8 120.1 121.1 119.4	111.7 114.0 113.7 109.9	8,6 7.2 6,9 8.8	7 min indicator 144.0 124.3 97.7 68.6	96.4 95.8 92.3 97.5
1969	107.9 109.5 110.4 110.2 110.5	107.2 111.1 112.6 111.5 110.1	10.0 9.4 8.9 9.4 10.4	135.3 180.6 163.2 128.2 109.5	101.3 101.2 84.8 96.3 95.7	107.5 116.5 114.4 114.5	Industrial production		10.0 10.0 9.1 8.8 9.0	100.3 98.3 94.0 97.4 91.4	117.8 120.1 121.1 119.4 120.4	111.7 114.0 113.7 109.9 110.2	8.6 7.2 6.9 8.8 10.1	7 mmcy rate 144.0 124.3 97.7 68.6 69.6	96.4 95.3 92.3 97.5 101.0
1900 1990 1991 1992 1993 1994	107.9 109.5 110.4 110.2	107.2 111.1 112.6 111.5	10.0 9.4 8.9 9.4	135.3 160.6 163.2 128.2	101.2 101.2 84.9 96.3	107.6 116.5 114.4 114.8 115.5 113.5	114.3 118.7 118.7 118.0 118.9 115.4 113.0		10.0 10.0 9.1 8.8 9.0 10.3	100.3 98.3 94.0 97.4 91.4 99.2	7000 117.8 120.1 121.1 119.4 120.4 123.9	111.7 114.0 113.7 109.9 110.2 112.6	8,6 7,2 6,9 8,8 10,1 10,4	144.0 124.3 97.7 68.6 69.6 76.5	96.4 95.3 92.3 97.5 101.0 108.8
1969 1990 1991 1992 1993 1994 1995	107.9 109.5 110.4 110.2 110.5 110.7 110.5 110.6	107.2 111.1 112.8 111.5 110.1 105.9 110.0 112.4	10.0 9.4 8.9 9.4 10.4 11.7 12.3 11.6	135.3 160.6 163.2 128.2 109.5 90.0	101.3 101.2 84.9 96.3 95.7 97.8 104.0 88.4	107.5 116.5 114.4 114.5	Industrial production production production production in 118.7 in 18.9 in 18.9 in 118.9 in 1		10.0 10.0 9.1 8.8 9.0	100.3 98.3 94.0 97.4 91.4	7000 117.8 120.1 121.1 119.4 120.4 123.9 128.5	111.7 114.0 113.7 109.9 110.2 112.6 118.7	8.6 7.2 6.9 8.8 10.1 10.4 9.5	144.0 124.3 97.7 68.6 69.6 76.5 93.7	96.4 95.3 92.3 97.5 101.0 106.8 110.5
1969 1990 1991 1992 1992 1993 1994 1996	107.9 109.5 110.4 110.2 110.5 110.7 110.5 110.8	107.2 111.1 112.8 111.5 110.1 105.9 110.0 112.4 112.6	10.0 9.4 8.9 9.4 10.4 11.7 12.3 11.6 12.3	135.3 160.6 163.2 128.2 109.5 90.0	101.3 101.2 84.9 96.3 95.7 97.8 104.0 88.4 102.0	107.6 116.5 114.6 114.6 115.5 113.5 106.5	Heliustia production 114.3 118.7 118.0 115.4 113.0 119.9 115.4 113.0 119.9 127.3		10.0 10.0 9.1 8.8 9.0 10.3 11,4	100.3 98.3 94.0 97.4 91.4 99.2 104.8 103.7 108.3	117.8 120.1 121.1 119.4 123.9 128.5 129.9 133.7	111.7 114.0 113.7 109.9 110.2 112.6 118.7 121.2 122.8	8.8 7.2 6.9 8.8 10.1 10.4 9.5 8.7 8.2	144.0 124.3 97.7 68.6 69.6 76.5	96.4 96.3 92.3 97.5 101.0 108.8 110.5 110.1
1960 1990 1991 1992 1993 1994 1996 1996	107.9 109.5 110.4 110.2 110.5 110.7 710.5 110.6 110.2 111.3	107.2 111.1 112.6 111.5 110.1 105.9 110.0 112.4 112.6 116.8	10.0 9.4 8.9 9.4 10.4 11.7 12.3 11.6 12.3 12.5	135.3 160.6 163.2 128.2 109.5 90.0	101.3 101.2 84.8 96.3 95.7 97.8 104.0 88.4 102.0 108.6	107.5 116.5 114.5 114.5 115.5 113.5 106.5 101.3	Inhestal protestal 3 118.7 4 118.0 3 116.9 3 115.4 5 113.0 5 119.9 3 127.3 123.7 127.1		10.0 10.0 9.1 8.8 9.0 10.3 11.4 11.9 12.0	100.3 98.3 94.0 97.4 91.4 99.2 104.6 103.7 108.3 115.4	None noise volume 117.8 120.1 121.1 119.4 120.4 128.5 128.5 129.9 133.7 140.7	111.7 114.0 113.7 109.9 110.2 112.6 118.7 121.2	8.8 7.2 6.9 8.8 10.1 10.4 9.5 8.7	144.0 124.3 97.7 68.6 69.6 76.5 93.7 107.4	96.4 96.8 92.3 97.5 101.0 106.8 110.5
1960 1990 1991 1992 1993 1994 1996 1996 1997	107.9 109.5 110.4 110.5 110.5 110.5 110.6 110.2 111.3	107.2 111.1 112.5 111.5 110.1 105.9 110.0 112.4 112.6 118.8	10.0 9.4 10.4 11.7 12.3 11.6 12.3 12.5	135.3 160.6 163.2 128.2 109.5 90.0	101.3 101.2 84.8 96.3 95.7 97.8 104.0 96.4 102.0 106.6	107.6 116.5 114.4 114.6 115.5 110.5 100.5 101.3	Industrial Ind		10.0 10.0 9.1 8.8 9.0 10.3 11.4 11.9 12.0	100.3 98.3 94.0 97.4 91.4 99.2 104.8 103.7 106.3 115.4	70 August 117.8 120.1 121.1 119.4 120.4 123.9 128.5 129.9 133.7 140.7	111.7 114.0 113.7 109.9 110.2 112.6 118.7 121.2 122.6 124.3	8.8 7.2 6.9 8.8 10.1 10.4 9.5 8.7 8.2 7.1	944.0 124.3 87.7 68.6 69.5 76.5 93.7 107.4 131.1 162.0	96.4 96.3 97.5 101.0 108.8 110.5 110.1 113.7 115.8
1969 1990 1991 1992 1992 1993 1994 1995 1996 1997 2nd qtr.1987 4th qtr.1997	107.9 109.5 110.4 110.2 110.5 110.7 110.5 110.6 110.6 110.2	107.2 117.2 111.5 110.1 105.9 110.0 112.4 112.6 116.8	10.0 9.4 8.9 9.4 10.4 11.7 12.3 11.5 12.3 12.5	135.3 160.6 163.2 128.2 109.5 90.0	101.3 101.2 84.8 96.3 95.7 97.8 104.0 96.4 102.0 106.6 106.6	107.5 116.5 114.5 114.5 115.5 113.5 106.5 101.3	lebutchi protector		10.0 10.0 9.1 8.8 9.0 10.3 11.4 11.9 12.0	100.3 98.3 98.3 97.4 91.4 99.2 104.8 103.7 106.3 115.4	70 August 17.8 120.1 121.1 119.4 120.4 123.9 128.5 129.9 139.7 140.7	111.7 114.0 113.7 109.9 110.2 112.8 118.7 121.2 122.6 124.3	8.6 7.2 6.9 8.8 10.1 10.4 9.5 8.7 8.2 7.1	7 memory main tradester 144.0 124.3 97.7 68.6 69.6 76.5 93.1 107.4 131.1 162.0 165.3 165.0	96.4 96.3 97.5 101.0 108.8 110.5 110.1 113.7 115.8
1960 1990 1991 1992 1993 1994 1996 1996 1997	107.9 109.5 110.4 110.5 110.5 110.5 110.6 110.2 111.3	107.2 111.1 112.5 111.5 110.1 105.9 110.0 112.4 112.6 118.8	10.0 9.4 10.4 11.7 12.3 11.6 12.3 12.5	135.3 160.6 163.2 128.2 109.5 90.0	101.3 101.2 84.8 96.3 95.7 97.8 104.0 96.4 102.0 106.6	107.6 116.5 114.4 114.6 115.5 110.5 100.5 101.3	Industrial Ind		10.0 10.0 9.1 8.8 9.0 10.3 11.4 11.9 12.0	100.3 98.3 94.0 97.4 91.4 99.2 104.8 103.7 106.3 115.4	7000 117,8 120.1 121.1 119.4 120.4 123.9 128.5 129.9 133.7 140.7 5.2 5.6 5.2	111.7 114.0 113.7 109.9 110.2 112.6 118.7 121.2 122.9 124.3 1.9 0.6	8.8 7.2 6.9 8.8 10.1 10.4 9.5 8.7 8.2 7.1	762.00 pt. 107.4 197.7 68.6 69.5 76.5 93.7 107.4 131.1 165.3 165.3 159.0	96.4 96.8 92.3 97.5 101.0 108.8 110.5 113.7 115.6 114.7 115.6
1868 1890 1891 1892 1993 1994 1995 1997 3rd qtr.1997 4th qtr.1997 4th qtr.1998 2nd qtr.1988	107.9 107.9 109.5 110.4 110.2 110.5 110.5 110.8 110.2 111.3 1.7 3.0 2.3 3.4	107-2 111.1 112.5 111.5 110.5 110.0 112.4 112.6 116.8 5.1 6.4 7.3	10.0 9.4 10.1 9.4 10.4 11.7 12.3 11.6 12.3 12.5 12.5 12.4 12.1	135.3 160.6 163.2 128.2 109.5 90.0	101.3 101.2 84.9 96.3 95.7 97.8 104.0 96.4 102.0 106.6 106.8 106.8	107.6 116.5 114.4 114.6 115.5 110.5 100.5 101.3	beheitel protocou 114.3 118.7 118.0 118.9 115.4 5 113.0 5 119.9 127.3 123.7 127.1 7 3.4 1.3		10.0 10.0 9.1 8.8 9.0 10.3 11,4 11.9 12.0	100.3 98.3 94.0 97.4 91.4 91.4 99.2 104.8 103.7 108.3 115.4 117.3 114.8	Netal selection of the control of th	111.7 114.0 113.7 110.2 110.2 110.2 112.2 122.8 124.3 194.0 0.8 0.9	8.8 7.2 6.9 8.6 10.1 10.4 9.5 8.7 8.2 7.1 8.8 6.5 6.4	70000000000000000000000000000000000000	96.4 95.3 97.5 101.0 106.5 110.1 113.7 115.8 114.7 115.6 115.1
1969 1990 1991 1992 1993 1994 1996 1996 1997 3rd qtr.1997 1st qtr.1997 1st qtr.1998 2nd qtr.1997 August 1997 September	107.9 109.5 110.4 110.2 110.5 110.7 110.8 110.2 111.3 1.7 3.0 2.3 3.4	107.2 111.1 112.8 111.5 110.1 105.9 110.0 112.6 118.8 5.1 6.4 7.3 5.1 5.4	10.0 9.4 8.9 9.4 10.4 11.5 12.3 11.5 12.5 12.4 12.1 11.9 12.5	135.3 160.6 163.2 128.2 109.5 90.0	101.3 101.2 84.9 96.3 95.7 97.8 104.0 108.6 106.6 106.6 106.6 106.6	107.5 116.5 114.4 114.5 115.5 110.5 101.5 101.5 101.5 101.5 8.7	babutal production 114.3 118.7 118.0 118.0 118.0 118.0 118.0 118.0 118.0 119.0		10.0 10.0 9.1 8.8 9.0 10.3 11.4 11.9 12.0	100.3 98.3 98.3 97.4 91.4 91.4 99.2 104.8 103.7 106.3 115.4 115.4 115.4 117.3 114.8	Netal selection of the color of	111.7 114.0 113.7 110.2 110.2 112.6 118.7 121.2 122.8 124.3 1.9 0.8 0.9	8.8 7.2 6.9 8.8 10.1 10.4 9.5 8.7 8.2 7.1 8.8 6.5 6.4	70000000000000000000000000000000000000	96.4 95.3 97.3 97.5 101.0 108.8 110.5 110.1 113.8 114.7 115.6 115.1 114.0
1969 1990 1991 1992 1992 1993 1994 1995 1996 1997 3rd qtr.1997 4th qtr.1997 1st qtr.1998 2nd qtr.1998 August 1997 September October	107.9 109.5 110.4 110.2 110.5 110.7 110.5 110.8 110.8 111.3 1.7 3.0 3.4 -0.9 3.5 4.4	107-2 111-1 112-8 110-1 105-0 112-4 112-8 116-8 5.1 6.4 7.3 5.1 5.4 4.6 8.8	10.0 9.4 89 9.4 10.4 11.7 12.3 12.5 12.5 12.5 12.5 12.5	135.3 160.6 163.2 128.2 109.5 90.0	101.3 101.2 84.9 95.7 97.8 104.0 98.4 102.0 108.6 106.8 106.6 106.6 106.6 106.6	107.5 116.5 114.4 114.5 115.5 101.3 199.2 8.7 7.5	beheitel protectes 114.3 118.7 118.0 118.9 115.4 5 113.0 5 119.9 5 127.3 2 123.7 127.1 7 3.4 5 3.4 1.3		10.0 10.0 9.1 8.8 8.0 10.3 11,4 11.9 12.0	100.3 98.3 94.0 97.4 91.4 91.4 99.2 104.8 103.7 108.3 115.4 117.3 114.8	Netal selection of the control of th	111.7 114.0 113.7 110.2 110.2 110.2 112.2 122.8 124.3 194.0 0.8 0.9	8.8 7.2 6.9 8.6 10.1 10.4 9.5 8.7 8.2 7.1 8.8 6.5 6.4	70000000000000000000000000000000000000	96.4 95.8 92.3 97.5 101.0 108.8 110.5 115.7 115.6 115.7 114.0
1969 1990 1991 1992 1993 1994 1996 1996 1997 3rd qtr.1997 1st qtr.1997 1st qtr.1998 2nd qtr.1997 September	107.9 107.9 109.5 110.4 110.5 110.5 110.7 110.8 110.8 111.3 1.7 3.0 3.5 4 4.4 4.4	107.2 111.5 110.1 105.9 110.0 112.4 112.6 116.8 5.1 6.4 7.3 5.1 5.4 4.6 6.8 8.8	10.0 9.4 8.9 9.4 10.4 11.7 12.3 12.5 12.5 12.4 12.1 11.9 12.5 12.5 12.5 12.5 12.5	135.3 160.6 163.2 128.2 109.5 90.0	101.3 101.2 84.9 96.3 95.7 97.8 104.0 108.6 108.6 108.6 106.6 106.6 106.6 106.6 106.6 106.6	107.5 116.5 114.4 114.5 116.5 101.3 99.2 8.7 8.2 8.4 7.4	beheiteld production p		10.0 10.0 10.0 9.1 8.8 8.0 10.3 11,4 11.9 12.0 12.1 12.1 12.1 12.0 n.a. n.a.	100.3 98.3 94.0 97.4 91.4 99.2 104.8 103.7 106.3 115.4 117.3 114.8 112.3 113.4 113.4 113.4 113.4 113.4 113.4	117.8 120.1 121.4 120.4 120.4 120.4 120.4 120.5 120.9 128.5 129.9 133.7 140.7 5.2 5.8 5.2 5.4 5.5 6.5 5.4 5.5 6.5 6.5 6.5 6.5 6.5 6.5 6.5 6.5 6.5	111.7 114.0 113.7 109.9 110.2 112.8 112.8 124.8 1.9 0.6 0.3 0.9	8.8 7.2 6.9 8.8 10.1 10.4 9.5 8.7 8.2 7.1 8.8 6.5 6.4	78cmcy nh indicate 144.0 124.3 87.7 68.5 69.5 70.7 107.4 131.1 162.0 165.0 168.5 168	96.4 96.8 97.5 101.0 108.8 110.5 110.1 113.7 115.8 114.7 115.1 114.0 114.2 114.7 115.4
1869 1890 1891 1992 1993 1994 1995 1996 1997 3rd qtr.1997 4th qtr.1997 1st qtr.1998 2nd qtr.1998 2nd qtr.1998 2nd qtr.1998	107.9 109.9 119.4 110.2 110.5 110.7 110.5 110.8 110.2 111.3 2.3 3.4 -0.5 5.3	107.2 111.1 112.6 111.5 110.1 105.0 112.4 112.6 116.8 5.1 6.4 7.3 5.1 5.4 4.6 8.8 5.1	10.0 9.4 8.9 9.4 10.7 12.3 11.5 12.5 12.5 12.5 12.5 12.5 12.5 12.5	135.3 160.6 163.2 128.2 109.5 90.0	101.3 101.2 84.9 95.3 95.7 97.8 104.0 108.6 106.6 106.6 106.6 106.6 106.6 106.6 106.6 106.6	107.5 116.5 114.4 114.5 115.5 101.3 199.2 8.7 7.5	behutstil preduction 114.3 118.9		10.0 10.0 9.1 8.8 8.0 10.3 11.4 11.9 12.0 12.1 12.1 12.0 n.a. n.a. n.a.	100.3 98.3 98.0 97.4 99.4 99.2 104.8 103.7 106.3 115.4 117.3 114.8 112.3 113.4 113.9 114.8 113.9	117.8 120.1 121.1 119.4 120.4 123.5 123.9 133.7 140.7 5.2 5.8 5.2 3.8 5.5 4.5 5.3 5.3 5.3 5.3 5.3 5.3 5.3 5.3 5.3 5	111.7 114.0 113.7 109.9 110.2 112.2 112.2 121.2 124.3 1.9 0.6 0.3 0.9 2.2 1.4 1.4 0.5	8.6 7.2 6.9 6.6 10.1 10.4 9.5 8.7 8.7 6.5 6.4 6.5 6.7 6.7 6.8	7 Namey nah nadester 144.0 124.3 97.7 68.6 69.6 78.5 98.7 107.4 131.1 162.0 168.5 168.5 173.3 161.7 160.1	96.4 96.8 97.5 101.0 108.8 110.1 113.7 115.8 114.7 115.6 114.7 114.0 114.2 114.7 115.4 115.6
1868 1890 1891 1992 1993 1994 1995 1997 3rd qtr.1997 4th qtr.1997 3rd qtr.1998 2nd qtr.1998 2nd qtr.1998 2nd qtr.1998 Consenser October October December Dec	107.9 107.9 109.5 110.4 110.5 110.5 110.7 110.8 110.8 111.3 1.7 3.0 3.5 4 4.4 4.4	107.2 111.5 110.1 105.9 110.0 112.4 112.6 116.8 5.1 6.4 7.3 5.1 5.4 4.6 6.8 8.8	10.0 9.4 8.9 9.4 10.4 11.7 12.3 12.5 12.5 12.4 12.1 11.9 12.5 12.5 12.5 12.5 12.5	135.3 160.6 163.2 128.2 109.5 90.0	101.3 101.2 84.9 96.3 95.7 97.8 104.0 108.6 106.6 106.8 106.6 106.6 106.6 106.6 106.7 106.6	107.5 116.5 114.4 114.5 116.5 101.3 99.2 8.7 8.2 8.4 7.4	beheitel protocous 114.3 118.7 118.9 115.4 113.0 114.9 115.4 113.0 1127.3 127.1 127.1 127.1 1.3 4.6 2.4 4.5 1.5 4.6 1.5 4.6 1.6 1.6 1.6 1.6 1.6 1.6 1.6 1		10.0 10.0 9.1 8.8 8.0 10.3 11.4 11.9 12.0 12.1 12.1 12.1 12.0 18.8 18.8 18.8 18.8 18.8 18.8 18.8 18	100.3 98.3 94.0 87.4 99.2 104.8 108.3 115.4 115.4 115.4 117.3 114.8 113.9 114.8 115.7	Nation 2010 117.8 20.1 120.1 120.1 120.1 120.2 120.9 120.9 120.9 120.9 120.7 1	111.7 114.0 113.7 109.9 1102.6 118.7 121.8 122.9 124.3 1.9 0.8 0.3 0.9 2.2 1.4 0.5 0.1	8.8 7.2 6.9 8.8 10.1 10.4 9.5 8.7 7.1 8.8 6.5 6.4 6.5 6.4	78686 97.7 68.5 93.7 107.4 151.1 162.0 165.3 165.0 168.5 165.2 168.5 173.3 161.7 160.1 155.5	96.4 96.3 97.5 101.0 108.8 110.5 115.7 115.6 115.1 114.0 114.2 115.4 115.8 115.8 115.8
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Nguyen Manh Cam, Viet-

dissident, Doan Viet Hoat, is by western governments. "If the collapse of communism Freedom Forum, calling for multi-party democracy, while Mr Que attempted to set up an independent human rights group. Both were detained in 1990, in a nation-wide clampdown, and

given long prison sentences

showed One Nation's popu-

temporary dip following Mr

announcement of sweeping

support is at 10 per cent,

while Mr Howard's coalition

and the opposition have

about 40 per cent each,

according to Newspoll, a reg-

The main parties have

focused on tax reform.

prompting critics to warn

against elections dominated

by "taxation bribery". Mr

staked its future on an ambi-

tious package that features

A\$13bn (US\$7.3bn) in per-

Labor has promised about

A\$6bn in tax cuts, mainly for

vices tax (GST).

ular national survey.

The cases of both men greater political and individ- nam's foreign minister, tion passed by the European Jimmy Tran, with links to ual freedoms. They were acknowledged that interna- parliament criticising Viet- extreme anti-communist eleleading Vietnamese by human rights groups and held until 1988. Following tional interest had played a nam's human rights record. today expected to fly out of you were to draw up a list of in eastern Europe in 1989, November's Francophone Mr Hoat began publishing summit, the Vietnamese an underground newsletter, authorities faced questions

Hanoi dissident likely to leave for US today

role in the releases. At last have said that the releases leaving the country, Hoat, after a French television station aired film of him under detention on the eve of the summit. This summer. Mr. Hoat received an interna-

from reporters about Mr although those of Mr Que tional human rights award to be pleased by the freeing from the World Association of Newspapers, while both cases were raised in a resolu-

say he may seek to remain in Vietnam. The US embassy in Hanoi says both have been granted permission to

of at least two Vietnamese-

Americans, Ly Tong and

Relatives of both men

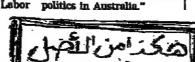
in an attempt to blow up a

statue in Ho Chi Minh City A European diplomat speculated that the releases were part of reciprocal gestures between Washington and Hanoi, with Vietnam's sights set on eventually signing a full trade agreement.

the US. Mr Tong hijacked an

while Mr Tran was involved

nine large rail schemes planned by the government



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FINANCIAL TIMES TUESDAY SEPTEMBER 1 1998 *

SEC gets tough over Year 2000

Non-US multinationals will have to disclose much more about their potential Year 2000 problems following a new directive from the US Securities and Exchange

The directive will affect all multinationals with a listing on US bond and equity marcompanies, and is expected more problems than they have so far admitted.

Corporate lawyers and those involved in testing and evaluating corporate Year case" scenarios. The SEC 2000 compliance plans believe the SEC's latest 'advisory" on disclosure will trigger a rush by domestic and foreign companies to detail their problems - and a rush to obtain insurance

The SEC's decision is likely to have particularly moss for foreign companies with US listings. It is widely believed that many in continental Europe and Asia have yet to address the problem - also known as the Millennium Bomb - and few have made any public statements about its potential impact on their

The SEC, which has become increasingly frustrated by the lack of detailed Year 2000 disclosure by companies, signalled its intention to get tough earlier this

Commission officials complain that many companies, including multinationals with listings in the US, have provided only cursory disclosure in their quarterly and annual financial reports to the market watchdog

Much of that disclosure is formulaic and short on meaningful details, accord-

The new rules, which went

require public companies. investment companies. investment advisers and state and local governments to detail how the Year 2000 computer problem will or might affect them.

lished today.

was familiar.

corpses piled in desecrated

churches, mass graves and

bodies dumped into latrines

by those determined to elim-

inate the Tutsi "cock-

Here was proof of what the

Tutsis had long suspected.

Mimicking Rwanda's ousted

Hutu government, President

Laurent Kabila planned the

extermination of the Demo-cratic Republic of Congo's

Tutsi diaspora, the very

community that launched

If countries supporting Mr

Kabila have accused Rwanda

of harking after the creation

of a "Tutsi empire", the real

impulse behind this tiny

country's convulsive impact

on the Great Lakes region

At the heart of Rwanda's

aggressive foreign policy,

say those familiar with the

Tutsi-dominated administra-

lies elsewhere.

him to power in 1997.

Corporate lawyers, who have described the new requirements as "exhaustive", point out that they will require disclosure even if a company's assessment to show that many have of the issue is not complete. In particular it will require companies to spell out their

preparedness, including contingency plans and "worstalso warns that an "ostrich strategy" may constitute a disclosure violation leading to SEC enforcement action or a private suit for dam-In an unusual move

designed to underline the commission's concern, Arthur Levitt, its chairman has written to more than 9,000 publicly traded companies warning them that "it is imperative that you provide thorough, meaningful disclosure on this topic". "I think investors could be

in for some big surprises," said Larry McArthur, chief executive of Ascent Logic, a California-based group which specialises in Year 2000 risk assessment. The SEC's initiative was likely to result in a surge of applications for insurance cover, he

Several US insurance companies, including American International Group and Aon, have begun to provide Year 2000 cover. However, they generally require a full risk assess-

nal specialist. So far, Mr McArthur estimates that about 100 "Global 5,000" companies have completed risk assessments, with another 500-600 preparing to undertake the process.

ment conducted by an exter-

resources, also recommends ration, to be made public head of the IWCO, says in a present and future generacreating independent global National navies and other bodies to ensure impartial maritime forces should be monitoring of the seas,

including a World Ocean given the power to act against non-military threats Affairs Observatory. A failure to manage the to the security of the oceans, oceans as a common particularly environmental resource and as an intedangers, according to an

international report pubshift away from "an insistence on the traditional sov-The Independent World ereignty of states" could lead Commission on the Oceans to catastrophe in the next (IWCO), set up by the United century, the report warns. Nations to study ways of The IWCO's Lisbon Declaprotecting maritime

today at the Expo '98 world fair in the Portuguese capital, aims to draw the attention of world leaders to what it calls "a crisis of the torial disputes and piracy to

over-fishing and pollution. More than 40 maritime grated whole, involving a experts and international working since 1995 to prepare the report

Mário Soares, Portugal's leading elder statesman and

preface to the declaration that the European Union should enhance the civilian

role of the naval forces of member states to encourage oceans", ranging from terri- the peaceful use of the oceans. To help reduce threats to

ocean resources and maritime security, the IWCO political figures have been calls for the "high seas" areas outside national jurisdiction - to be treated as a public trust "to be used and managed in the interests of

INTERNATIONAL סבלו ייט ועפעל Report urges action over 'crisis of oceans'

report says.

ing of resources, the declara-The commission also help less-developed coastal wants the role of naval states take advantage of forces to be changed, in contheir exclusive rights to formity with existing intertheir use of maritime areas national law, to enable them to enforce legislation concerning non-military threats that affect security at sea. "Navies should also play a

under their jurisdiction. Commercial fishing agree ments should take the needs of local communities dependent on subsistence fishing growing role in sharing the more into account by paying information and capabilities compensation and helping required to safeguard environmental security," the fishing capacity, it says.

Fear of genocide powers Rwanda's regional ambitions

Michela Wrong on the steely sense of self-identity that is driving the foreign policy of the Tutsis, who live in fear of their own extermination

radio said it all. Address- Kabila claims ing listeners in the Convictory in west colese town of Bunia, it told them to use "a machete a

President Laurent Kabila of spear, an arrow, a hoe, Congo yesterday proclaimed spades, rakes, nails, frunvictory against cheons, electric irons, barbed wire, stones... to kill the Rwandan Tutsis". Rwandan-backed rebels on the western front and said the focus of the month-old For those who had lived

war had shifted east,

through the 1994 genocide, Reuters reports from when an estimated 800,000 people died in the blood In the capital, Kinshasa, frenzy whipped up among life started returning to the Hutu population by normal, with soldiers lifting "hate radio", the road blocks and checkpoints language used last month in the city centre after five days of skirmishing with It conjured up memories of

rebel infiltrators.

Africa.

tion's thinking, beats the fear of extermination, the terror of a new genocide wiping out what some have dubbed the Jews of central

"We cannot talk about reconciliation or development without a guarantee of our survival It is an obsession with us," acknowledges a government insider. "This is comething we share with Israel. We will never allow hostile forces, particularly those associated with the genocide, along our border." Often cited by Rwandans, the Israel parallel runs deep. As with Israel, an ethnic bolocaust has left a minority with a steely sense of self-identity nursing the

implacable motto of "never

international community that stood by during the killings has allowed a government to intervene in its neighbours' affairs with only

mixed protest. Despite public denials of involvement, Rwandan officials admit in private the part they have played in masterminding the rebel movement that was born in Kivu province on August 2, the second attempt in three years to change the leadership half a continent away

"Kabila has to go," says one insider. "We thought he would be grateful for being helped to power and be sympathetic to Rwanda's security concerns. But the man had no such intentions. He's a common gangster."

Mr Kabila was expected to put an end to the cosy colaboration between the late Mobutu Sese Seko's army, exiled Rwandan soldiers, militiamen responsible for the genocide and motley rebel movements operating from the anarchic east.

With Banyamulenge (ethnic Congolese) Tutsi fighters forming the hard core of his winning alliance, he would the theory went - repay his debt by crushing the movements trying to wipe out Tutsis along the border and bring down Kigali.

But once in power Mr Kabila proved no more effective than Mr Mobutu at reining in the extremists. Origi-

As with Israel, guilt by the nally scattered as far afield as Mozambique and Gabon, they began returning to the mountain ranges dividing Congo, Uganda and Rwanda. Their bloody raids on

north-western Rwanda, often triggering equally bloody army reprisals, sabotaged attempts to heal the rift between Hutus and Tutsis. "On average there's been

an attack every day, almost all against soft targets," says a security expert. "The hospitals are full of civilian victims and the raids were starting to spread further south and further east."

According to Rwandan officials, repeated remonstrations to Mr Kabila went ignored. While Uganda's army was granted free reign to pursue infiltrators into Congolese territory, Mr Kabila brushed aside similar requests from the Rwandan army on the grounds of

national sovereignty. Instead, as Mr Kabila's distrust of Kigali grew and his desire to shed his image as a Rwandan puppet escalated, he forged new friendships with the very groups his fighters had tried to destroy

the previous year. Since the start of the year Rwandan officers posted to Congo at Mr Kabila's request to bolster security had been sending back reports of tens of thousands of former interchampe (Hutu militismen) being trained at three bases in Congo, ready for incorpo-



Kabila: 'ignored appeals

"We started being aware of training at Kalemie, Kamina and Garamba and we sent a number of messages to the Congo authorities," says vice-president Paul

Kagame, "Some denied it, but we had full intelligence information." in the weeks before the August 2 mutiny by Banyamulenge soldiers, say west-

ern analysts, Hutu militiamen streamed out of their mountain hideouts, heading for eastern Congo in response to a general recruitment call. For Rwanda it was clear:

his bid to whip up national support, Mr Kabila had adopted a genocidal

"We have no doubt that

the Banyamulenge, the Masisi Tutsis and Rwandans. says Mr Patrick Mazimhaka minister of state.

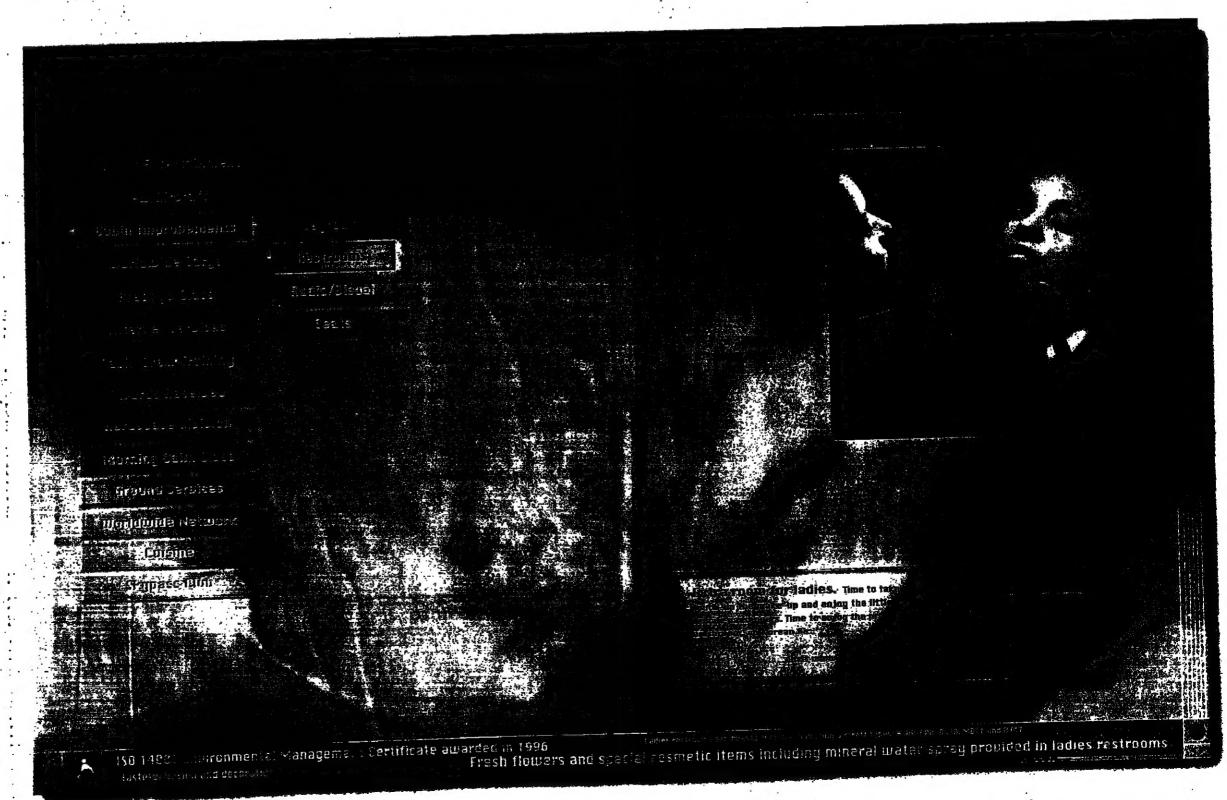
Recent reports from Kinsbasa of lynchings, necklarings and fatal beatings of suspected Tutsis - identified on the simplistic basis of long noses and slender build - point to the birth of a new fury among a downtrodden

public happy to have found a scapegoat for their ills. People in Kinshasa were hungry and desperate but they had no experience of killing." says a Tutsi member of Mr Kabila's government who fled to rebel-held Goma after going into hiding in Kinshasa. "Now state radio and television bave taught them how to distinguish us and put hate in

their bearts." With its intervention wrongfooted by Angola and Zimbabwe, Rwanda may now be forced to come to terms with an extended Kabila presidency, characterised by a leader and population more bostile to the Tutsi community than

fronically, the drive to prevent a second genocide may have helped stoke racial loathing, thanks to Mr Kabila's rabble-rousing tech-

In which case, a buffer zone in rebel-held Kivu central Africa's version of southern Lebanon - will be needed as never before by a minority that sees itself as fighting for the right to



KORFANAIR BEYOND YOUR IMAGINATION

INFORMATION TECHNOLOGY INTERNATIONAL REPORT SHOWS 7.3% OF COMPANIES EXPERIENCED SECURITY BREACH IN LAST YEAR:

Security risk increased by e-commerce entice China

By Paul Taylor in London

The surge of activity in electronic commerce and the growing use of enterprise resource planning (ERP) and supply chain management software have increased corpublished today.

The report, based on a survey among 1,600 lT profes- petitors were also blamed. sionals in 50 countries and

Port of Long Beach last

month as almost 200,000

containers were off-loaded at the west coast's leading

trade centre, and 180,000

Arrivals, 17 per cent more

than in July last year, were

7 per cent higher than the

previous peak achieved in

September. But of the 20st

steel boxes returning.

mainly to Asia, more than

Numbering an unprece-

dented 99,000 containers, 102

per cent more than a year

earlier, they represented an

echoing testament to tum-

bling demand for US goods

in a region squeezed by

bour, the Port of Los

Angeles, handle about

\$120bn-worth of goods a

year, and account for a quar-

mounting shortage of con-

tainers in Asia, and partly

because there is no room to

store any more empties,

shippers have swallowed the

costs of sending half-empty

For information and booking.

Partly in response to a

ter of US scaborne trade.

Long Beach and its neigh-

devaluation and recession.

were shipped out.

half were empty.

houseCoopers and InformationWeek magazine, reveals that 73 per cent of companies experienced a security breach or corporate espionage in the past 12 months. Companies blamed authorporate security risk, accord- ised employees for nearly 60 ing to a worldwide report per cent of the breaches. Former employees, computer hackers, terrorists and com-

Significantly, companies

Record container trade hides

tumbling US sales to Asia

West coast ports are at their busiest in almost 20 years, but

month.

transport

vessels are leaving them half empty, writes Christopher Parkes

The recent imports surge, led by back-to-school para-

phernalia, is due to be fol-

lowed by holiday season

goods and gifts. With new

peaks expected, neither

exporters nor ship owners

want to be left short of

The west coast's main

ports are already at their

busiest in almost 20 years. In

the 12 months to the end of

May, according to the Pacific

Maritime Association, the

number of hours worked by

the region's longshoremen

was the highest since 1980.

Long Beach alone has

conducted by PriceWater- conducting business through cent of companies that have their web site or implementing electronic supply chains and ERP applications were significantly more likely to be victims of security lapses that affected their revenues and corporate data.

Overall, 59 per cent.of companies selling products or services on the web reported at least one security breach over the past year, compared with 52 per

a web site but are not using advantage of the business it for monetary transactions. For specific breaches the discrepancy was even more

For example, 22 per cent of companies selling via their web site reported information loss compared with 13 per cent of companies whose web sites provide only information.

"Companies worldwide åre

challenged with taking been able to monitor the benefits the web has to offer while minimising risk to substantial problems," he their operations and their

Murphy, PriceWaterhouse-Coopers partner. Nearly half the companies surveyed could not even tell if they had lost revenue as a result of security breaches. While they know security is

damage or pinpoint potential issues before they turn into

More than half the IT professionals surveyed (56 per cent) said information security was a high priority for their overall business, yet only 19 per cent had a complete, descriptive policy to monitor their security pracimportant, they have not tices and solutions.

into arms deals Yitzhak Mordechai, Israel's that they want to turn into a defence minister, said during modern force," said the minavisit to China yesterday ister.

Israel seeks to

that he hoped Beijing's drive Mr Mordechai will meet to modernise its army would Chi Haotian, defence minisresult in large arms conter, tomorrow and might tracts for Israel, Reuters hold talks with Jiang Zemin. reports from Shanghai. China's mesident before he Mr Mordechai, who has departs on Friday. brought executives from israel started secretly seiling arms to China at least 12 israel's top arms manufac-

ment and that both sides would meet in working groups later this week "I hope the talks and the contacts we're establishing between the leaders of our defence industries and the leaders of the defence industries here will lead to... contracts and the exchange of information on a large

scale," he told reporters

turers on his four-day visit, said he would hold talks

with Chinese generals in

charge of military procure-

travelling with him. Shanghai, a centre of China's aerospace and electronics sector, is the base for the production of rockets used in the nation's space pro-

There are complicated they have a very large army cial said.

since 1993 to less than \$50m Both countries refuse to disclose details of their arms

tries established diplomatic

relations in 1992. Analysts

say Israel made billions of dollars from the deals during

the 1980s, mainly on tank

and aircraft upgrades. But

according to one security official, sales have dropped

An official in the minister's delegation said Israel would next month restation a defence ministry represenattempt to lift sales. "We waited to see how reforms in China will affect the military industries. We hope the reforms will give a push to economic problems here but, our defence sales but there along with the problems, are no guarantees," the offi-

Two fully laden container ships weit to unload their cargo at the Port of Long Beach Associated Pres

increased its pool of casual docker workers from a few hundred a year ago, adding

restaurants and stores of Los Angeles' Koreatown, the city-centre focus of the largest south Korean community in the US. offers further evidence of the impact of the Asian crisis on this most Asian of US

vessels back across the According to LA tourism visitors are 60 per cent.

ecords were set at the almost 40 per cent last more than 2,000 to cope with the rush.

While last year's port business was disrupted by the fall into chaos of the Union Pacific railroad system, traffic - at least in-bound - is unhampered by delays.

Terminal operators have stocked up on cargo handling equipment, and have extended operating hours and introduced flexible opening times, while the railways have more locomotives and cars to carry the goods

Encouraged by US retailers, who have told the Long Beach authorities they expect to continue increasing Asian imports beyond the end of the year, the port March. But US exporters -

have so far dipped only

Although severe, the

not expected to have a

marked effect on the

decline in Korsen tourism is

industry's revenues since

and friends rather than in

most visitors stay with family

about 5 per cent.

is confident of topping last notably machinery, raw materials and food suppliers, year's throughput of 3.5m 20which account for most of foot equivalent units (TEUs). Helped by improved rail the dollar value leaving transport, Los Angeles, says Mr Fierstine, is coping with southern California - seem the flood which has seen imports almost double since

Martinez at the LA

Convention and Visitors

travel has become an

important part of many

Japanese people's lives

which they will not readily

Board says the US is still a

relatively cheap destination

compared with Europe, and

to be finding it harder to deal with the downturn. First-quarter data from Long Beach, for example,

continue to arrive. The New

Otani, the leading upmarket Japanese hotel in the centra

of LA, which typically fills 55

per cent of its rooms with

visitors from Japan, says

lower airiares have helped

numbers of package tourists

However, the number of

business guests is almost 8 per cent below last year's

prevent any fall in the

and individual leisure

Los Angeles feels effects of Asia crisis as visitor numbers decline

Taking his cue from

\$250bn a year by 2010.

Japan, show the value of car exports fell 18 per cent, and shipments of aircraft parts were down 23 per cent. In the same period cotton

and frozen meat - among the top 10 export items at both Long Beach and Los Angeles - were almost 30 per cent lower, while Los Angeles' bunkers reported a drop of almost a third in sales of coal.

worsening of conditions in

regional economists, Mr Fierstine expects these "ups and downs" to continue for another 18 months or two years, by when southern California's main seaports expect to be well on the way to more amenable records, such as their target of doubling the value of the trade through their facilities to

Four eye Venezuela aluminium plant

by Raymond Collit in Caracas

Venezuela's privatisation agency, FIV, has announced that four groups of investors are interested in bidding for the state aluminium complex on September 7. It will be the third attempt to sell the 630,000 tonnes a year complex, one of the world's largest.

Among the groups that have registered to qualify are UK's Billiton, Kaiser Aluminum of the US, and Venezuela's Sural; Pechiney of France; and Industria Guayanesa del Aluminio, led by the company's own work-

The base price of \$1.55bn for a 70 per cent stake, as well as other contractual terms, will remain unchanged from the previous attempt to sell the complex, on July 23, when a consortium made up of Billiton. Kaiser and Sural failed at the last minute to present an

To prevent another surprise withdrawal, the government will require a \$120m deposit by Thursday.

The sale could boost confidence in the Venezuelan economy, as political and economic uncertainty has led to an increase in capital

The relatively modest dip And while they are Pacific, says Al Fierstine, officials, numbers of Korean in Japanese arrivais is more spending less and steering husiness development direcaway from Rodeo Drive and characteristic of Asian tor at the Port of Los Angeles. The number of down on last year, aithough travellers' reaction to the other more expensive trips by Japanese nationals empty containers shipped shooping centres, they out of Los Angeles rose from Pudong, the industrial satellit But she turned out to be an eled a perfect command of English w navigator. Shirley, one of our a pot of tea and sa

CONTRACTS & TENDERS

INFORMATION AND DOCUMENT MANAGEMENT SYSTEM

EXPRESSION OF INTEREST(EOI)

The World Intellectual Property Organization (WIPO) is an intergovernmental organization with headquarters in Geneva, Switzerland. It is one of the 16 Specialised Agencies of the United Nations System of Organizations. WIPO is responsible for the promotion of the protection of intellectual property throughout the world, including the administration of the Patent Cooperation Treaty (PCT) System. The PCT regulates the filing and processing of international applications for the protection of inventions where such protection is sought in several countries. Since the begining of its operation in 1978, the office of the PCT has received, processed and published more than 350,000 international patent applications, of which over 54,000 were filed in 1997.

During the 4th quarter of 1998, WIPO will issue a Request For Proposal (RFP) for a major Automation Support System for the office of the PCT to pre-qualified Systems Integrators. This new system will enable the migration from a paper-based environment to an electronic environment for the filing, processing and publishing of international applications under the PCT. The objective is to implement the system within a 3-year period, while maintaining daily operations.

Due to the broad scope of the project, the volumes involved and the technical complexity of the environment, WIPO intends to select a Systems Integrator who has demonstratable capability to assume overall responsibility for implementing this important system. For the first step of the selection process WIPO has prepared an EOI (Expression of Interest) package that provides a brief description of the project, the pre-qualification criteria for potential partners, and response requirements. Responses to the EOI will allow WIPO to pre-qualify potential Systems Integrators.

The EOI package is available from the WIPO Web site at the following address:

http://www.wipo.int/eng/pct/projects/eoi/index.htm

Expressions of interest concerning the PCT Automation Support System project should be received by WIPO not later than September 30th, 1998.

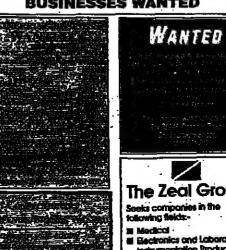
LEGAL NOTICES

Notice of Bankruptcy of Lloyds Name agest 7, 1998, Ioseph M. Michaels, a farmer member of Lloyds Syndicates 0937, 0112, 0122, 0126, 0190, 0200, 02004, 0206, 0207, 0209, 0210, 0212, 0288, 0234, 0316, 0330, 0362, 0384, 0418, 0428, 0488, 0546, 0535, 0802, 0782, 0439, 0861, 0925, 0950, 1010, and 1173, filed a Chapter 11 uptry case No. 98 B 24640 in U.S. Beskruptcy Court for the Northern Dist. o morphy. Total large counts are as a superposed to the state of Nov. 2, 1998 for the filling of Propile of Claims on the official the sat a dendition of Nov. 2, 1998 for the filling of Propile of Claims on the official

> To Advertise Your **Legal Notices**

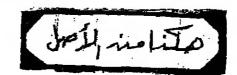
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MANAGEMENT SYSTEM

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PUBLIC DEBT SCHEME OPPOSITION TO BAD LOANS CONVERSION

Mexicans oppose bank rescue plan

By Lucy Conger in Mexico City

Mexico's bank rescue programme faces strengthened opposition when Congress opens today, after a nationwide survey found that people were overwhelmingly against it.

referendum" organised by the opposition Democratic Revolution party. Preliminary results showed 94 per cent were against the government proposal to convert some \$65bn in bad bank loans into public debt and open Mexico's largest banks to unlimited foreign partici-

"The mandate is clear and unquestionable," said PRD president Andrés Manuel López Obrador.

The vote rejected the public debt scheme and endorsed PRD proposals to audit large corporate loans which make up about half the bad debt, provide aid to small debtors and maintain caps on foreign investment

ministry official, and Carlos would bolster central bank Bankers' Association president, said the survey was ment's plan.

Nonetheless, the survey Some 2m people voted in a President Ernesto Zedillo, who delivers his annual the opening session of Congress at a time of increasing economic uncertainty.

The two leading opposition forces, PRD and the National Action party, demand that banks shoulder a greater burden of the bad loan portfolio assumed by the govern-The controversial bank

rescue scheme, known by its Spanish acronymn of Fobaproa, is the first order of lower house, or Chamber of Deputies, where the initiative has been mired since The envernment is keen to

sage of Fobaproa Secure pas part of a broader package of financial reforms that

Gómez y Gómez, Mexican autonomy and strengthen banking supervision - lest it become entangled with next designed to evoke only a year's federal budget, which rejection of the govern- Mr Zedillo must present on November 15.

The survey tapped widewill be waved in front of spread discontent with economic hardships that linger after the 1994 peso crash and state of the union address to a public perception of government-business collus

> "At heart, Mexicans are showing how annoyed they are with the economic system of the country," said Gerardo Priego Tapia, 33, an economic consultant and board member of the Mexican Businessman's Confederation known as Coparmer. With the presidential elec-

tion of 2000 looming, the opposition parties do not want to become identified with a scheme to take on liabilities that will increase the country's debt service by an estimated 4.3 per cent of gross domestic product over the next two years, and have the effect of reducing spend-



Weasel words on diesel exhaust soot clear the air

A decision on smoking trucks follows 10 years of wrangling between industry, environmentalists and politicians

heaviest and least ... tractable smokers are

Following a last-gasp declaration that diese exhaust soot is a bad thing. thousands of nattietrap trucks and clunkers started last week at the conclusion of almost 10 years of study and wrangling between the state's air police, politiciens, environmentalists and the motor, transport and oil

The huff-and-puff marathon ended with the publication by the California Air Resources Board of a form of wassel words to the effect that "particulate matter from diesel fuel exhaust, but not whole diesel exhaust" is a toxic air

contaminant. Apart from leaving one of the least productive talk-shops known to man lost for words, the end of the debate means the air board may now unleash its sniffer dogs to track down and bite the stinkers. The state will also retain its reputation for being at least one jump ahead of the feds when it comes to formulating atmospheric

The Environmental Protection Agency is only own findings on the toxicity of diesel furnes, and since both Bill Clinton and Al Gore have already espoused the cause of clean-burn diesel as a fuel of the future, no-one expects the blanket condemnation so reluctantly abandoned last week by zealots in the Golden State.

Now the deed is done, and available is cooking over the "compromise". But the resolution in reality represents another industry drubbing for Carb, and a rare - If fudgy - admission from the amog cops that some of the evidence of toxicity on which the debate was based was dodgy to

start with. There was also a formal tcknowledgement that inclustry had done much to clean up its products, and a redundant reassurance from

John Dunlap, air board chairman, that banning

diesel engines was never an Detroit, which natched up its last success when it belatedly convinced Carb that its original timetable for the mandatory introduction of electric cars was out of step with current technology is now relieved of the threat to its business implicit in the original attempt to blacken the name of diesel.

Modern transport fleet operators also have little to fear. Because Sacramento's regulators have no lurisdiction over them, there was never in any case any cause for alarm among out-of-state contractors which account for more than half the truck traffic on Californian roads - and are most easily identified by the btack plumes in their

wagons' wake. That leaves Carb with few options for action other than the pursuit of small-time truckers with out-of-date

Commonly confined to short-haul drudgery and schlepping between the docks and inland distribution centres, they are hard pressed to make a living, let alone shell out for a new

But since Carb first has to set up a new committee to find the best ways of further advancing clean-burn technologies while clearing the streets of old smokers, it will be some time before their tailpipes puff their last.

If the upshot of the great diesel controversy was enother blow for the dirigistes and a victory of sorts for commonsense, the atmosphere last week was still soured by the whilf of

The transport and motor industries were in no mood to let Carb off lightly. Even as the climbdown approached, the Engine Manufacturers' Association was banging on scomfully about the inadequacy of the scientific evidence garnered by the air board.

brimstone and burning ears.



Christopher Parkes

It took particular glee in poo-poohing the board's reliance on a 10-year-old study of the effects on the health of railroad workers exposed to locomotive diesel furnes in the 1950s and 1960s. This was one of several from which its extrapolated the possible

cancer risk to the general public from diesel exhaust. On the day the deal was announced, Joel Anderson, a senior Californian Trucking Association official, could The state had fallen "into line" with what "the majority of the scientific community is already saying - and what we have been saying for the

last nine veers". Wouldn't it be interesting, he asked, to see what "nationally known" scientists thought when they produced their EPA report on the

same issue? But perhaps more disheartening was that even while the negotiators sputtered, the debate being outstripped by technological advances mandated and voluntary, in the service of international market demand for clean rehicles and fuels.

California introduced clean-burn diesel fuel in 1993 (it is still the only state where it is sold) and the esult of its use in modern, clean-burn engines has been a 90 per cent reduction in particulate emissions and a cut of 70 per cent in NOx output compared with 10

years ago. But the air board is probably right to believe that continuous prodding - at the risk of some rough treatment in return - is necessary to keep industry moving forward.

As long as no-one makes any attempt to convince everyday drivers that they do not neatly need six-litre 4x4s or inclustrial-weight pick-ups to do the shopping. Detroit will remain under pressure to maintain the breathability of the petrochemical smokescreen that passes for air in these

Panama's voters rebuff president

By denying him the right to have a second consecutive term in office they have gone against a recent trend in Latin America

due at the end of 1999.

Brazil have all ended their

previous prohibitions on a

sitting president standing for

office again, although none

held a popular referendum

by Latin American leaders.

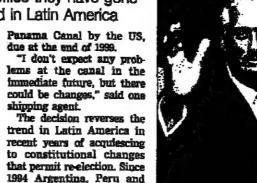
to approve the changes.

shipping agent

Panama's voters have delivered a stronging rejection of President Ernesto Pérez Bailadares by denying him the right to stand for a second consecutive term in office.

A referendum on Sunday threw out proposed changes to the constitution that would have meant the president could run again in elections next May. He will now have to wait until 2009 if be wants to stand again. The vote - by a larger

than expected margin of almost two to one - heralds an uncertain eight months before the presidential elections. It also means Panama will have a new leader as it goes into the final stages of the historic handover of the



Ricardo Arias Calderón, president of the Christian put a stop to the develop-Democrat International ment of re-election philosomovement and former phy and politics in Latin vice-president of Panama, has criticised re-election bids marked by the return of the "I think we have helped to uniform, but in the garb of

shown that it can be that could entrench a presistopped," he said. Last week President years since the regime of Alberto Fuilmori of Peru had his hand strengthened if he decides to run for a third term in office, when the Congress defeated a call for a national referendum on whether to allow another

always satisfying to bear the presidential bid. Re-election voice of the people - and we has also been introduced in have heard it very clearly. Brazil, where President We accept it humbly and Fernando Cardoso is favourwith great pleasure." He said Panama's democracy had ite this October. In common with other been fortified by the result. leaders, Mr Pérez Balladares had based his bid for will now throw their hats another term on the need to

ensure continuation of his economic reforms. But opposition to many of those reforms appears to be one of the main reasons for the poll result, with criticism of lack of support for the poor and Opposition leaders said Panamanians had voted for

nore "national" polices.

into the ring to try to secure the party's presidential nomination in primaries on October 25. One member, Alfredo

Oranges, an opponent of the president, has confirmed his intention to stand. As for the opposition, the president's losing gamble has for the moment strengthened its hand, but is

still not assured of winning

dent in power. It is only nine

military dictator Manuel

Noriega was overthrown in a

Mr Pérez Balladares

accepted defeat in a televi-

sion address, saying: "It is

Potential PRD candidates

MICROSOFT TRIAL JUSTICE DEPARTMENT DUE TO FILE DOCUMENTS IN FEDERAL COURT

Government sets out to bolster case

in San Francisco

The Justice Department was yesterday set to attempt to buttress its antitrust case against Microsoft in docunents due to be filed in federal court in Washington late in the day.

The government filing is the penultimate action before the trial, due to start on September 23, in which Microsoft will face charges. that it abused its dominant position in the market for

competition in related seg- This undercut Netscape's ments of the software mar-

In particular, the govern-

ment case focuses on Microsoft's moves in the internet browser software arena and its alleged anti-competitive tactics toward Netscape Communications. In what the government charges was a deliberate attempt to limit competition, Microsoft "integrated" an internet browser into Windows, the ubiquitous PC operating system. In

was provided free of charge. efforts to sell its competing

In July Microsoft claimed the antitrust charges were "completely groundless". The company claimed it had laid plans to include browser software in Windows even before Netscape was

in a potentially serious setback for the government, an appeals court ruled in June that Microsoft's browser was an integral part of Windows, and that by

integrating the software Microsoft provided benefits

Last week Bill Gates, Microsoft chairman, testified under oath before government lawyers for a total of 17 hours. Mr Gates is expec-ted to be recalled for further pre-trial testimony later this

Microsoft, meanwhile, has been gathering material to acknowledged yesterday that it had received a subpoens demanding internal docu-

forums. Microsoft could use to try to discredit Netscape management and its products. It appears that Microsoft plans to argue that Netfor a decline in its browser market share.

Microsoft, meanwhile. plans to press ahead with a request that the federal court dismiss the government's lawsuit. A hearing on the "motion for summary

Let's talk tirst name basis.

ON 1 SEPTEMBER, ALCATEL ALSTHOM BECOMES ALCATEL

On 18 June 1998, Alcatel Alsthom's shareholders decided that on 1 September, the group would be renamed Alcatel.

> The decision reflects Alcatel's focus on telecommunications and related cables and components activities. Today, Alcatel is helping people to communicate more easily, more efficiently and more quickly.

So it is clearly time for you to call us by our first name. www.alcatel.com

The Hi-Speed Company

NORTHERN IRELAND NEW MEASURES TO BE PUT TO EMERGENCY SESSION OF UK PARLIAMENT DESPITE RESERVATIONS OF LABOUR MPS

Ministers set to toughen anti-terror laws

The new property seizure spokesman, said he would

an amendment to the bill

which would contain a

Mr McNamara wili allege

breach of the European Con-

vention on Human Rights by

denying suspects the right to

silence and also that it will

increase the likelihood of

Meanwhile Mo Mowlam,

the Northern Ireland secre-

tary, stepped up pressure on

the IRA to hand over weap-

The only way to guarantee

a full tour of the 150m herba

ceous border and the other

verdant attractions is to ge

yourself on the guest list for

one of the Queen's four sum-

mer garden parties. About

10,000 people are invited to

each of these not-exactly-

intimate teatime events,

coming from areas such as

the armed forces, the volun-

But beware. There is a

strict dress code. Gentlemen

are advised to wear morning

suit, lounge suit or uniform,

but strictly no medals.

Ladies should wear a day

dress with hat or a uniform.

worn," says the instruction.

tary sector and charities

miscarriages of justice.

string of criticisms.

powers will be modelled on not be deterred from tabling

the Irish Republic, where that the legislation is in

those possessed by the

authorities in their war with

drug barons. Similar provi-

sions are being introduced in

there had been criticism of

Tony Blair, the UK prime

minister, for failing to follow

a minor concession to critics

by publishing the legislation

in draft form 12 hours earlier

But Kevin McNamara, for-

The government is making

the Irish lead.

John Werray Brown in Dublin

government

attack on members of fringe

terrorist groups in Northern

Ireland, in spite of strong

reservations on the left of

the Labour party about the

The bill containing

the measures, which will

be put through parliament

in an emergency session

tomorrow and Thursday.

will include a clause allow-

ondon is famed across

the world for its wealth

of parkland, its green

lungs placed strategically

sprawling, steaming metrop-

But there is one tract of

green space - complete with

herbaceous borders, shady

glens, ornamental lake and

pink flamingoes - that is

unknown to all but a select

Buckingham Palace gar-

dens, in the heart of the cap-

ital's tourist belt, offer a glo-

rious escape from the hassle

of modern life - but only if

you are a member of the

This 15ba casis, originally

laid out by King James I in

1609, is kept away from pry-

ing eyes and tour parties by

a wall 3m high topped with

spirals of barbed wire. The

only way to see it properly

(unless you are already a

royal) is to marry into the

family or devote yourself to

years of public service in the

hope that you are invited to

Alternatively, you could

right-hand side of an aircraft

approaching London's

Heathrow airport. It is possi-

to appreciate the sheer size mature trees.

a palace garden party.

new measures.

victed of belonging to ban-

There were also signs yes-

about to make an important

statement about its relations

with the IRA, to coincide

with a visit to Ulster on

Thursday by Bill Clinton, US

this was under consider-

ation, following the Omagh

bombing two weeks ago that

killed 28 people, although it

was unlikely there would

be a categoric assertion

of this mother of all back

To give an idea of its scale,

the gardens are roughly the

Green Park and only margin-

ally smaller than St James's

From the air, they form a

seamless part of the old

including Hyde Park and

Kensington Gardens - which

still stretches from Westmin-

ster to the fringes of Notting

For most of the year the

only people to appreciate the

gardens are Queen Eliza-

beth, her immediate family

and Buckingham Palace

staff. It is a splendid sight.

The gardens, developed by

successive monarchs over a

period of almost 400 years.

were overhauled in 1703 by

the Duke of Buckingham.

and were further remodelled

It is a remarkably quiet

place, despite the fact that it

forms the centre of one of

the busiest traffic round-

The lawns sweep away

rear of Buckingham Palace

for what seems like an eter-

nity, dropping away to the

ble from this vantage point sunken lake and a stand of into a corner of the gardens

abouts in central London.

by George IV in 1820.

roval hunting estate -

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Sinn Féin officials hinted

ned organisations.

toughening its legislative terday that Sinn Féin is

Only the favoured few are able to enjoy Buckingham Palace gardens, located at the

heart of London, writes George Parker

across the centre of the same size as neighbouring

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not good enough that the republican movement should refuse to say that their war is over," he said. Ms Mowlam and Mr Trimble felt yesterday's IRA statement calling for disagreement between bandment of the Real IRA, ern Ireland's parties.

on ceasefire, all groups

David Trimble, Northern

Ireland's first minister and

leader of the Ulster Unionist

party, said he wanted a clear

its intentions. "It is simply

weapons," she said.

By Robert Peston in London and assets of individuals con- that the "war is over". mer Northern Ireland ons. "I want to see all groups the fringe group which has admitted responsibility for beginning to disband their the Omagh bombing, did not go far enough.

Mr Blair defended the legislation in a letter to Labour MPs. He said the domestic element of it was "carefully statement from Sinn Féin of targetted against the small group of extremists who refuse to accept a peaceful way forward".

However, Sinn Féin said some changes were repressive and inimical to the spirit of the Good Friday agreement between North-

Union to fight 'remodelling' of Labour party

By Robert Peston, Political Editor

Amalgamated Engineering and Electrical Union plans to spend up to flm (\$1.65m) to stem the takeover of the Labour party by the professional middle classes who support Tony Blair, the prime minister.

The AEEU has established as its top political priority the support to working-class" candidates for safe seats in the House of Commons and the new Scottish parliament

It is the first substantial attempt to challenge the remodelling of Labour by Mr Blair and Peter Mandelson. the trade and industry secretary, as the natural voice of middle England". "The Westminster parlia-

nent has become dominated by the professional middle classes," said Ken Jackson, the union's general secretary, "Parliament should work in the interests of everyone, so electricians, engineers, nurses and manual workers all have a part to play."

"Gloves are optional, but His campaign may embartrousers should NOT be rass the prime minister, who was educated at a Scottish

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Principal features of the business include:

fee-paying school and Oxford University and whose recent government reshuffle saw preferment for people such as Mr Mandelson who has cultivated a middle-class. technocratic personal style. An analysis of Labour's 418 serving MPs shows only 13 per cent have a manuallabour background - the lowest proportion in its his-

tory - while at the turn of

the century almost all its

MPs came from a work-

ing-class background. According to Aberdeen university academic, Byron Criddle, the biggest proportion of Labour MPs, 45 per cent, come from the professions, with business people making up a further 9 per

The AEEU feels aggrieved at what it perceives as a "chattering class" takeover of the party because for much of the 1980s it fought a campaign to staunch Labour's shift to the left. The union is already

spending money on training working-class candidates for the Scottish parliament in how to perform in front of television cameras. It will also subsidise glossy electoral literature

NEWS DIGEST

AIRPORTS

Airline workers oppose sell-off of landing slots

Six trade unions representing 80,000 airline workers in the UK launch a campaign today against the proposed sell-off of airport take-off and landing slots. They will argue that if the government's policy is changed to allow this it will lead to a threefold rise in airport charges, a 10 per cent increase in air fares, a cut in airline choice for the customer, the collapse of smaller airlines and the monopolisation of London's Heathrow and Gatwick airports by larger, more profitable airlines.

The union action is in reaction to a proposal by the director-general of fair trading who says British Alaways should be allowed to sell the 267 slots it has been told to give up at Heathrow and Gatwick by the European Comssion as a condition for its proposed alliance with Amer ican Airfines.

The unions fear such sell-offs would become the norm at Britain's congested airports. "Other European Union governments have laughed slot-trading out of court. Airlines don't own the slots they use. They were allocated them," said George Ryde, TGWU transport union officer and chairman of the joint union aviation forum. Robert Taylor, London

COMPANY OWNERSHIP

Overseas groups lift stakes

Overseas companies have significantly increased their stakes in British business, according to figures published yesterday. Dun & Bradstreet, the business information company, said the number of companies in the UK owned by overseas groups rose 4 per cent from 22,407 last year to 23,300 this year.

Almost 33 per cent of the businesses were offshoots of US companies while Holland was the largest European

There are now 2,282 Dutch subsidiaries in Britain. against 2,275 from Germany and 2,084 from France.
Japan was in fifth place, followed by Switzerland and the Irish Republic.

CHARITIES

Legacy income rises 19%

Charities' income from legacles rose 19 per cent to almost 2500m (\$825m) in 1997, according to the Barclays/NGO Finance Charity 100 Index, which charts the income of the top 100 charities.

Charities benefited from the recovery in house prices and strong stock market performances last year, as well as more intensive campaigns to persuade people to leave money to charity in their wills.

The campaigns were prompted by a projection from the Henley Centre two years ago that legacy income was set to fall sharply between 1996 and 2001 as older people spent more on care. The number of deaths is also set to decline as the relatively small generation born during the first world war ages.

Heather Lamont, technical secretary for the index, said a higher proportion of people were now making wills, but fewer were including charitable gifts in them. Nicholas Timmins, London

BUSINESSES FOR SALE

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goes as a present in 1959,

added her own touch: a

sweeping curved avenue of

indian horse-chestraut trees.

ted to Buckingham Palace.

but their £9.50 (\$15.65) tour

through the gaudy red and

gold interior does not

include a viewing of the

grounds. "They don't actu-

ally see the gardens," a

Royal spokesman said. In

fact the only reason they go

at all, is because that is the

Visitors are today admit-

King George VI, father of location of the palace gift

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An Application Document and Guidance Notes are available from The Director

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A non-refundable application fee of £9,000 is payable with each application which must be received at the Commission's offices by 31 October 1998.

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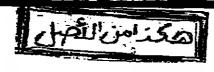
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SIEMENS

BUSINESS SERVICES

The trend is clear to see: In today's global competition, the importance of information and communication is growing at breathtaking speed. What's wanted are business solutions that will assure long-term gains in the efficiency and success of business processes.

The marriage of information and communication - the way of the future - is being sparked by a company that enjoys a leading position in both of these growth markets: Siemens is the largest European-based vendor of information technology (IT) and the world leader in telecommunications. As a service provider, Siemens Business Services is able to bundle these strengths and transform them into onestop shopping for innovative customer-driven solutions and business services - from consulting, planning and design to implementation and deployment right through to operation of even the most complex systems. In all industries. Around the globe.

Siemens to showcase **EXPO 2000 as** a multimedia mega-event. Hanover: Texts, photos and videos for 40 million visitors and Net surfers throughout the world.

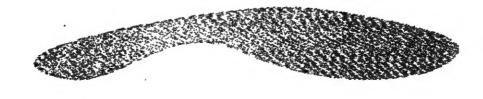
On June 1, 2000, the 21st century's first world's fair will open its gates. But long before then, EXPO fans around the globe will be able to check out this supershow: On the Internet. And the 40 million fairgoers who are expected to visit Hanover by October 31, 2000, will benefit from an unparalleled information infrastructure planned, designed, deployed and eperated by Siemens as thegeneral contractor.

The heart of this ambitious project consists of a multimedia information and guidance system: At 500 PCs and an equal number of info kiosks, visitors -

an average of 260,000 per day will be able to find out everything they want to know about the theme park, exhibits and events. 200 km of fiber-optic cable will assure a smooth flow of data - traveling at the equivalent of 50,000 printed pages per

An accreditation system developed by Siemens will provide the up to 100,000 VIPs, media representatives, suppliers and staff with electronically controlled access to the EXPO site. And since early 1998, journalists have been able to access a database containing up-to-the-minute information about the EXPO.

in the words of Dr. Reinhard Volk, Chief Executive Officer of the EXPO 2000 Hannover GmbH: "Without leading-edge information technology, a communications event like EXPO 2000 would be totally inconceivable. I'm confident we're in good hands with Siemens as a worldclass partner."



12 million passengers, 750,000 tons of freight, one system. Shanghai: Siemens Business Services plays key role at Shanghai's Pudong International Airport.

Pake off with cutting-edge technology: It's already clear that Shanghai's Pudong Airport will easily be able to keep pace with airports like Changyi of Singapore or Narita of Tokyo. The contract for what is by far the largest IT project in airport history was awarded to Siemens **Business Services. Together with** hardware and software from Siemens Business Services, the high-performance airport management system - TakeOff Vision will offer real-time access to all critical information, as well as support for flight planning, ground operations planning, resource

allocation, statistics and billing.

Everything is integrated, from all tems can be linked to the opera- with realization of Shanghai's major subsystems right to standtive modules. ard business applications. At the heart of this airport management system is a client-server

is designed to mesh perfectly

roadmap for its future IT development. Ready



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offers a positive outlook for children in need. And now, the organization's Children's Villages, youth facilities, schools and day care centers in 128 countries around the world are growing closer together. Thanks to an intranet newly designed and implemented. The central intranet server at the organization's world headquarters

in innsbruck does what conventional media like phone, fax or mail simply can't accomplish: Fast, secure and cost-effective access to all important information - from internal data, facts and regulations right through to topics of general interest. Most of the 371 SOS Children's Villages and over 1,000 further SOS facilities can already use this intranet to inform themselves about education in theory and practice or send their own messages to other intranet users. In addition, they can retrieve

images and texts from a data-

base to provide information to

sponsors and advertise for

donations.

Innsbruck: An intranet for SOS Children's Villages links 128 countries. hroughout the world, the There were various reasons why SOS Children's Village" SOS International opted for Siemens Business Services as non-governmental organization its solutions partner: Compre-

pricing and - last but not least collaboration with the experts from the Siemens' program and system development unit in

IT ideas are turning SOS Children's

Villages into a global village.

Business Services World News



Telecom Know-how goes East with Siemens **Business Services.**

Bonn: International Network Management System in action.

elephone customers everywhere expect their carrier to handle the phone calls, faxes or e-mails they send around the world as smoothly as local phone calls. But they often don't realize how differently international communication networks are structured and how complicated it is to coordinate them. With the International Network

Management System (INMS),

implemented a perfect telecom network management, monitoring an information system for network operators in two Central and eleven Eastern European countries. Deutsche Telekom AG is the contract partner and the lead in the consortium.

The individual network operators are using INMS to manage, monitor and control their international telecom traffic, regard-



tion. This involves providing the required communication links. switching to alternative routes and remedying complex problems. An accounting function determines which resources have been used and allows the operating costs to be appropriately

The participating carriers use an integrated X.400 e-mail system to communicate with one another.

INMS is a client-server solution with a central UNIX data server in Frankfurt that supports the UNIX workgroup servers in each of the 13 countries. Should this central server ever go down, a second server in Budapest automatically takes over and seamlessly continues to handle all tasks.

Version 1.1 of INMS has been in operation successfully since 1997. Siemens Business Services is presently working on the next iteration of the system, which will offer the 13 network operators even greater comfort. To keep them state of the art in telecom technology.



So that seconds aren't lost when seconds count.

St. Gallen: Integrated police system from

The St. Gallen Municipal Police Department can now be on the scene even faster in an emergency. Thanks to an electronic dispatch system.

When it decided to construct a new operations building, the Municipal Police Department also decided to build a state-ofthe-art information technology system. So Siemens Business Services installed the PELIX central dispatch system as the heart of an integrated system whose numerous interfaces and applications are up to every task from an integrated video management system for the city and the police department's own building right through to creating duty rosters.

A geographical information system assures that the police

Siemens Business Services ready to roll. always know exactly where their resources are located and can coordinate them as fast as pos-

sible. The traffic guidance system from Siemens was integrated into the concept to afford fast responses in spite of traffic jams and accidents. Integration of the HICOM systems with tradeboards assures optimum workplace comfort. Also incorporated was a building automation system: Open doors or cell alarms are immediately signaled to the central dispatch office.

Under the project, computer terminals that feature cutting-edge workflow processing and an information system were also deployed for the police officers.



Over 1 million accounts under control.

Vienna. An innovative advance for Austrian budget and accounting activities.

*he Austrian federal administration is using the internationally renowned R/3 suite of business software from SAP to create the foundation for significantly streamlined administration processes in connection with budget and accounting activities. It's a decisive step into the future, and the Alpine Republic is counting on an experienced solutions partner to serve as the general contractor: Siemens **Business Services.**

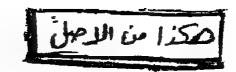
Leading-edge IT is gradually replacing a proprietary software system whose lifecycle has long since been exceeded: Functional extensions, if they were possible at all, required an inordinate amount of time and effort.

In the future, SAP R/3 running on a powerful client-server architecture that includes intranet and Internet links will support the entire budgetary cycle, from budget planning and adoption to purchasing, to billing and payment.

It's a project of impressive dimensions: Because it affects some 200 government offices with 5,000 users and over one million accounts. And it's also a highly promising approach: Integrated workflow components will simplify modern business process reengineering and lead to significant gains in efficiency.







Business Services World News

High-speed scanners read up to 150,000 documents a day.

Bratislava: Siemens Business Services equips Slovakian Postbank with leading-edge image processing technology. igh-end information technational partner Gradient Stovakia nology is helping Slovakia's was responsible for implemen-Poštová banka, a.s. provide its tation and systems integration services quickly, reliably and and for producing a user manual cost-effectively. After making a in the local language. successful entry into electronic banking, the financial institution is now streamlining its document processing - with the latest image processing technology. Up to 150,000 documents per day are handled at more than 1,600 post offices that offer postbank services. What used to involve lots of manual work entering and correcting documents - is now being handled by leading-edge technology Quickly and reliably. TranStar5640 high-speed scanners capture and digitize all documents, regardless of whether they were filled out by hand or with a typewriter. At the same time, the originals are indexed to simplify subsequent retrieval. Corrections and additions can be made easily on screen, without the need for the physical docu-New types of documents can easily be handled together with the bank's existing forms. And the system's modular design

Update your career: Learn IT wherever you may be.

Munich: Here comes SKIN the Skill Improvement Network.

The situation is paradoxical: There's a huge demand for qualified IT specialists - but high unemployment. Reason enough for Siemens Business Services to join forces with other leading information technology and telecommunication players to launch an education initiative. The purpose of SKIN, the Skill Improvement Network, is to help as many people as possible enter new technology careers. This year alone, SKIN intends to train 500 participants as highly soughtafter Microsoft Certified System Engineers (MCSE), And it's anticipated that all of them will then find jobs.

find jobs.
This innovative concept comes from Siemens Business Services, Microsoft, Prokoda, DITEC and Deutsche Telekom: Most of the training is done online – i.e. students can learn anywhere and at anytime – using self-

Plus local training courses and exam prep sessions. So SKIN is also attractive to those who hold full-time jobs.

Microsoft is providing the training materials and the required software. Siemens Business Services, Prokoda and DiTEC are conducting the technologybased qualification and training activities throughout Germany. With highly competent coaches either online or at the training site. Deutsche Telekom is making this online learning opportunity available via its "T-Mart Global Learning" service, with e-mail, news and chat functions - in other words, with options that allow students share experiences with other participants or form virtual study groups. SKIN enables training costs to be slashed by more than one half, it's a way to update personal careers and enhance the

A first in Italy: Smart Cards for electronic signatures.

Rome: Treasury Ministry opts for innovative network

taly's Minister of the Treasury
wants to see speed. So an
innovative IT network from
Siemens Business Services is
speeding up payment transactions between the ministry and
the regional administrations.
And uncompromising security is
part and parcel of the project:
Access to the system is by means
of an electronic signature – per
Smart Card.

makes it future-proof: Extensions

and new applications can easily

be integrated whenever they may

Services' project management,

Under Siemens Business

be needed.

alseconds

In deploying the project, the Treasury Ministry is playing a pioneering role in Italy's government and administration. The DM 20 million project is taking advantage of new legislation that for the first time allows the user to be identified by means of an electronic signature. Financial transactions are now being handled in a paperless mode or via powerful data net-

the central ministry in Rome with 20 provinces. Smooth operation is assured by clustered PRIMERGY 560 servers in a high-availability configuration. Also integrated within the system are the 120 provincial administrations and their local area networks, as well as the National Bank of Italy. The decision to award the contract to Siemens Business Services was prompted by two key criteria: Superior know-how and





the next millennium: Leading-

edge information technology

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ments - from codes and legislation to parliamentary inquiries and government statements right through to technical reports. In the past, 15 databases runaffords fast and accurate access ning on various computer generations were used to administer to a staggering number of docu-

tion: four billion printed pages per year. But the heterogeneous system was no longer able to cope with today's needs.

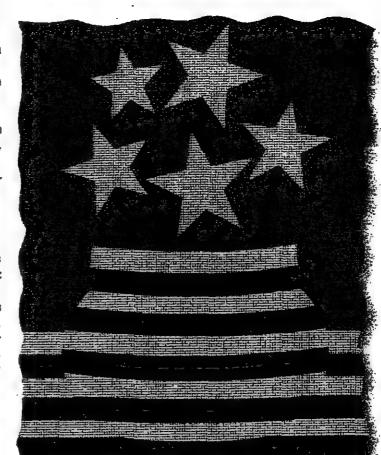
The new solution, designed by Siemens Business Services at

the gargantuan flood of informa- the Belgian R&D center of Namur under the control of Siemens **Business Services France as** main contractor. It uses Reliant-Unix as the operating system and runs standard software as Oracle and Fulcrum. In addition to standardizing different data formats, a special kind of challenge also had to be mastered: There was to be no interruption in utilization of the existing data inventory and storage of new data during the migration to the

> Government agencies can now access password-protected data within an intranet. In the future, the general public, too, will recaive access to important documents and legislation over the

new database.

Jean Didier Roux, who heads the project at the Direction, already sees long-term prospects for the partnership with Siemens: "We have gathered important experience together. As soon as the project has been concluded, we'll also be able to support other government agencies in deploying new information technology."



Siemens Business Services for superior customer services

Hudson: JoAnn Stores, Inc. networks all

of its 1,100 retail outlets nationwide. ToAnn Stores, Inc. (formerly Fabri-Centers of America) is counting on the R/3 suite of business software from SAP to further enhance its customer service to rigorously optimize its business processes. And smooth implementation is being assured by a competent partner: Siemens **Business Services.**

JoAnn, whose roots date back to 1943, has clearly charted a successful course with its creative products for creative customers. With a workforce of over 17,000 people in 1,100 locations throughout the United States, this company is the country's largest

retailer of fabrics, handicrafts and

home accessories. A powerful IT infrastructure that networks its corporate headquarters in Hudson, Ohio, with JoAnn's locations in all 50 states is intended to assure this success over the long term. And R/3 will also eliminate other problems, so that JoAnn can now look forward to the millennium change without any apprehension.

In selecting Siemens Business Services, the company opted for a partner with numerous unique strengths: Extensive experience with R/3 retail solutions, effective implementation in a minimum of time and - last but not least a proven track record of solutions competence that stems from numerous R/3 projects throughout the world.



Intelligent IT utilization equals faster communication which in turn equals more reliable service - and that's crucial in today's hotly contested telecommunications market. In preparation for deregulation of the local telecoms market, Telkom South Africa decided to upgrade its signaling network infrastucture. Siemens Business Services won the \$10 million contract and brought the TCSI Corporation, an international software specialist in the telecom industry, on board as a partner in the project. Both partners will be responsible for all phases of the project. From installation of the hardware, through the implementation phase, ensuring that the system is capable of communicating with Telkom's unique switching hardware through to training and managing the required transfer of skills. TCSI's INSuite™, an innovative program that manages network monitoring and failsafe operations, is at the heart of the solution. The solution is the most flexible available in the market today. It offers maximum flexibility for seamless





For further information, please contact:

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Big growth predicted for shopping by mail order

Home shopping is set to grow substantially, outperforming the growth of general retail sales over the next few years, according to a report published today. However, the growth will be driven by specialist mail order catalogues rather than electronic shopping, according to Verdict, a retail

research consultant. The report says home shopping's share of all retail sales increased for the first time in four years from 4.55 per cent in 1996 to 4.61 per cent last year. It predicts home shopping, with sales last year of 28.2bn (\$13.5bn), will gain a market share of 5.8 per cent in 2002 because of a sharp

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specialist catalogues.

Traditional catalogues known as agency mail order - are big general catalogues that allow payments to be spread over time. The new, direct mail-order catalogues are small and focus on certain products, often at the upper end of the market. Some, such as Boden, sell designer labels. The entry of retailers,

including Marks and Spencer and Next, into the direct mail-order market has spurred traditional mailorder companies, including Great Universal Stores and Littlewoods, to introduce niche catalogues. "New catalogues, such as La Redoute, Select and The Book, are genuine direct cat-

alogues with none of the

are competitive with the high street," says Verdict. They mostly target sections of the population outside the traditional agency market which Verdict believes will provide the stimulus for strong growth of the whole

home shopping sector."

Direct mail order was the fastest-growing sector of the home-shopping market last year, growing 15.3 per cent to £1.7bn. Verdict believes the proliferation of new entrants will expand the market rather than cannibal-ise what already exists.

"The calibre of the new entrants will bring it a new image, removing any remaining stigma over mail order as a way of shopping, making it part of the main-

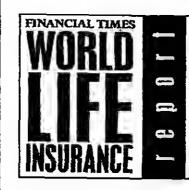
especially at the upper end of the socio-economic scale." says Verdict.

Clothes dominate the home-shopping market, accounting for 48 per cent of sales. However, the range of mail-order goods is wide and includes soft furnishings and

Although electronic shopping has strong growth prospects, it is still in its infancy and represents only a small proportion of the whole market. Electronic shopping sales doubled from £79m in 1996 to £135m last year but accounted for only 2 per cent of home shopping sales. Verdict forecasts it will reach 7 per cent of all consume spending on goods by 2010 when the internet reaches



s, and this year attracted 2m visitors. Police said orime was markedly down on lest year's figure. The carnival has evolved



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Companies have suffered from the absence of a universal coding system, finds John Willman

universal currency of modern distribution systems in the 25 years since their introduction. From the raw goods are marked with the ubiquitous striped rectangles to help each company in the supply chain keep track of stock, invoice customers, and monitor sales.

Yet there is no common agreement on the value of any particular item of this new currency. Identical barcodes can mean different things to different companies – and in some cases refer to

This has little immediate impact on the consumer, who is still likely to marvel at a technology which allows retailers to produce itemised bills, give discounts for special purchs run sophisticated loyalty es. But it creates confusion in the distribution chain, which costs millions of pounds each year to sort out.

And absence of agreement on what barcodes mean makes it harder to develop the efficient consumer response (ECR) approach that is increasingly seen as vital to competitive

ECR involves closer partnerships between companies in the supply chain to reduce waste in the chain and to eliminate unnecessary promotional spending. Manufacturers and retailers believe it could cut costs in the

European supply chain by 26bn a year - but they need fast, accurate data to reap the full benefits. to deal in, accurate and reliable

data transfer and comparison particularly across international borders – is impossible," says John English, managing director of Udex, a company offering itself as the organisation to establish that common currency.

The difficulty arises because little information. The first two digits are for the country of issue and the next five contain the manufacturer's identity. Then come five digits which are the manufacturer's product number for the particular item, while the final figure is a check digit which allows computers to make sure the barcode is valid.

When any organisation in the supply chain reads a barcode, it gets the information it needs by looking up the 13-digit number in its own database. For a shop till, the database supplies a simple description to print on the bill, price, and any special billing

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Other parts of the organisation draw different information from the database. The buying department needs the name of the supplier for reordering, while the warehouse might want the size of the product, its packaging material and the quantity supplied in each case or pallet for storage

The marketing department needs information on the form of the product - with detergent, for le, whether it is powder or liquid, concentrate or normal, biological or non-biological. Sales of special promotions such as monitored carefully.

Each company stores in its database the information it thinks it needs about harcoded

arises: there is no consistency between companies' databases and the information stored on

The Pantane barcode example

outlined left shows the result of this for a single item: the descriptions held by 11 UK retailers for a twin-pack of Procter & Gamble's Pantene shampoo and condisome lack details which would be of value to marketing departments, such as the type of hair for which the product is designed. Only two itemise both elements of the twin-pack, the quantities and the hair type.

Does this matter? The sto which uses the first definition is losing the opportunity to analyse its sales by missing out essential

motions are popular with its customers, for example, or what sort of hair type they have. If it has a loyalty card scheme, it will know less than it could about what each customer buys.

mation may have a knock-on effect all along the supply chain if sales data are shared between manufacturers, wholesalers and retailers. And across the industial for the marketing information companies, such as ACNielsen, which produce the ectoral sales reports that all con-

The difficulty is increased by the growth in cross-border trading in Europe, with companies

Over the years, some large groups have allowed product item barcodes to be assigned to different products in different countries

differing definitions of barcodes run into tens of millions of pounds a year - waste largely hidden from companies because the impact is spread across departments and countries.

His company's solution is to establish a database, independent of any retail or manufacturing group, to hold a unique description of each barcode with the information needed throughout the supply chain.

It will get the details direct from manufacturers and distribute them to subscribers via the internet. Udax will monitor the comparable with other data and adapt the system to cope with information as markets evolve. The system is being tasted in

the UK with Asda, the supermarket chain, backed by a £1m investment from 3i, the venture capital outfit. Three large some nowder manufacturers are involved: Procter & Gamble. Unilever's Lever Bros division, and McBride, the biggest supplier of own-label detergent. ACNielsen and Taylor Nelson Soires, two leading market research compa

nies, are also involved. Steve Hoban, Asda's laundry products buyer, is cautiously enthusiastic. "The Udex initiative offers the prospect of improved productivity, reduced costs, and improved service throughout the supply chain," he says.

MANAGEMENT JOB LOCALISATION

When expats should pack their bags

Chinese experience points up the penis ioi multinationals that shed expatriate staff too fast, says James Harding

Replacing expatriates with local employees is one of the most hotly debated issues in the corridors and canteens of international companies operating in China. In public, the debate about "localisation" is a little more tepid. Multinationals often like to

portray the process as an unalloyed good: good for the Chinese staff, whose morale is lifted by promotion or, at least, a sense of equal opportunity. Good for the company, which benefits from a needs and culture of the local market, And good for the bottom line, since sending expats home can generate huge cost savings.

manager of Wall's ice cresm, the subsidiary of the Anglo-Dutch group Unilever, in Shanghai. As Mr Garrood moves up the executive ladder, his job will be transferred to local management at the end of this year. The com-pany views this transition as a "matter of pride", he says.

"This is the right process, to have a Chinese business run by Chinese managers. There are people who say they agree with localisation - but not yet. We say it is a business advantage to have Chinese managers because they take decisions that are right for the Chinese market."

But, as Mr Garrood also susgests, and many multinational managers privately confirm, localisation is by no means a clear-cut lastre. The process of transferring

ent control from foreign to local staff touches on some of the most sensitive areas between people working in international clude trust, transparency, racial discrimination and the huge differences in management experience, education, pay, opportunity

As C.K. Prahalad and Kenneth Lieberthal observe in The End of Corporate Imperialism (Harvard Business Review, July-August 1998); "Leadership of a multinational's venture in an emerging market requires a complex blend of local sensitivity and global knowledge. Getting the balance right is critical but never easy."

Nor is it a challenge limited to China, Deciding when to hand over responsibility - and how much - can prove a problem for any of roughly \$36,000, plus pen- do not do it right, it will come multinationals in most of the world's emerging markets.



multinationals are under pressure to localise as head office seeks to cut the costs of expensive ventures in underperforming

irv Beiman, a country manager of Hewitt Associates, an international consultancy that specialises in managing people in business, says; "People have become a lot more interested in localisation in the last year because of the 'Aslan 'flu'. It is financially driven."

The savings from sending an expatriate home can be substantial. According to a report by business consultancy Arthur foreign professional in China tends to be about \$200,000 to \$300,000 a year - a typical expatriate package for a middle manager with a family includes basic salary, cost of living adjustments (15-20 per cent), hardship allowances (15-20 per cent), tax equalisation, housing allowances, children's education allowances, regional rest and recreation, and home leave (once or twice a

with the skills to replace an expatriate is likely to command a sal- and made mistakes. And if you sion, housing, education, and back and hite you. It is very diffiinsurance, which add \$23,000 to cult to recover from that ... But in Asia in particular, many the costs, says Michele Lee, a because then you have race involves assessing the particular is not."

business consulting manager at Arthur Andersen.

However, the promise of saving on expatriate expenses can propel companies into a rushed programme of localisation that may prove more trouble than it is worth. Those companies that have localised in a hurry without sufficient training for the replacement Chinese managers, have found they can quickly lose financial discipline, quality control, and corporate identity.

"Doing business the Chinese way is much less well-documented and can be dangerous. There is a serious risk when Andersen, the remuneration for a you give up financial control," says an expat manager at one multinational. He would rather not give his name, reflecting how awkward some foreigners find it adequate strategy for localisato voice objections to the localisation process, since concerns about promotion of Chinese management can smack of "corporate

> Once Chinese staff have been companies that have localised

issues," says Mr Beiman.

can also be problematic. Multinationals that drag their feet on localisation risk seeing their young, talented executives leave. Ms Lee save "There are a number of companies that keep on saying they want to localise ... they keep up the propaganda, saying to the locals 'you have a future with us'. But year after

year, there are more expats coming, and so the locals are not very motivated." Most multina-tionals in China have acknowledged that expat-beavy management structures can prove demotivating for Chinese workcompanies have developed an Part of the problem is that many international businesses

pay lip-service to localisation but ignore the issue in practice. For example, expat managers arrivpromoted to management, it can ing in China are often told that be difficult to reverse the process, part of their job is to train local manager's salary and career review, he or she is judged sim- costs, and you can end up with a

agement. Mr Garrood says the ardous, but moving too slowly highest positions in Unilever in China will be filled by Chinese citizens when they have the same kind of experience as the company's other international senior executives - years of management experience abroad.

Professors Prahalad and Lie-berthal acknowledge that expatriates at multinationals play "multiple roles", transferring technology and management practices, transmitting the corporate culture, and acting as credible conveyors of information between the emerging market and bead office. On the other hand, expats have their own problems, "Cultural

needs and strengths of local man-

and language difficulties in countries like China and India typically limit expats' interaction with the locals as well as their effectiveness," they say. So, while many people have reservations about the process,

logic: localisation can cut costs and create a market-sensitive, year). even if the company feels it has executives to replace them. But morale-boosting management A high-calibre local manager localised too soon. There are when it comes to the foreign structure. "It is a way to save on expat

ply on the success of the business more effective management, says Mr Belman. "That is, if it is Localisation is a process that done well, which all too often it

TECHNOLOGY NEW MEDICAL VENTURES

A model heart equipped with all essentials

Victoria Griffith on a computer simulation that cuts research costs and improves information.

aircraft to how to manage a company. Now Physiome Sciences, a new medical venture, has built a simulation of the human heart to forecast the effectiveness of new drugs. It can even predict the health of a heart decades into the

The company rents out time on its computer heart to medical

Last year Physiome, based in New Jersey, tested its first drug, a high blood pressure treatment developed by Switzerland-based Roche called Posicor. The treatneut was having trouble meeting the high standards of the American Food and Drug Administration because of concerns that the product might cause arrhythmia irregular beating of the heart. Partly based on Physiome's data, Posicor passed the test and gained market clearance.

"The FDA's readiness to accept our data was extremely encouraging," says William Scott, chief executive of Physiome. (The drug was later withdrawn from sale because of side-effects unrelated to the arrhythmia question.) Physiome says it is in talks

with eight pharmaceutical groups to play an early role in developing heart treatments. "Companies are looking to use our heart to eliminate poor drug candidates early on," says Mr

Physiome is also developing a product that can make predictions about the future health of an individual's heart by factoring into the model their age, weight, diet, exercise routine, and other information. "We see this as a tool for medical diagnosis and treatment as well as for drug development," Mr Scott explains.

However, sceptics have long charged that such computer simulations are useless. Not enough is known about the subtleties of nature to fully imitate it on a computer acreen, they argue.

Denis Noble has been modelling heart cells for 30 years at Oxford University and has now joined forces with Physiome.

"We wouldn't even have the computer power to include everything we know about the heart in a computer simulation, and we don't know nearly enough," Dr

Noble admits. The point is not to build the perfect model, he says. Rather, it Computer simulations is to distill the heart's mecha-help teach people every-thing from how to pilot an important information.

"We don't have to be 100 per cent accurate to be useful," says Dr Noble. "The question is: does it save pharmaceutical companies money and does it provide information that would be difficult to get elsewhere? I think the

Physiome uses a super-computer for full simulation, but much of the work can be done on a simple desk-top computer. Physiome's scientists hope their software will eventually become common tool for anyone doing

beart research. "The way it works now is that researchers form an idea in their head about how molecules interact with each other, then conduct expensive experiments," says Dr Hopkins University scientist responsible for scaling up Physiome's heart simulation into a three-dimensional model.

"The problem is, you can waste a lot of time that way. The mechanisms that govern the heart are too complex to keep in your astray. So the heart model can be an important tool early on in the drug development

The heart is well-suited to com puter modelling because the muscle is controlled by mathematically measurable electronic

Computers would run for days 30 years ago to predict a heart cell's activity over a few milliseconds. That information CEL today be obtained on a desk-top. The entire human body may

one day be modelled on the computer. Physicme is expanding its reach to other organs,including the pancreas and the lungs.

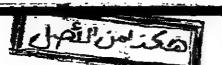
And while Physiome has no competition yet in commercially available organ simulation, the company says it expects its monopoly to end soon. San-Francisco-based Entelos is building a model of the immune system, and Nevada-based NaviCyte is working on a simulation of the



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In full control of tragic Alexandrines

Alastair Macaulay talks to director Jonathan Kent as he prepares to launch a Racine season in the West End

For many people, the (who is, with lan McDiarmid, this is triple audacity. tragedies of Racine (1639-99) one of the Almeida's two (Meanwhile in Islington, the are not only equal to those artistic directors) and star- home Almeida Theatre will of Sophocles and Shake-ring Diana Rigg - received a speare, they are also among the top most peaks of all this August. This week it classical art. Voltaire called starts an Almeida season of Racine's Phètre "the master- Racine in the West End's repertory, recently spoke to piece of the human mind." Albery Theatre. Then, at the Yet these plays are seldom end of October, Kent, Rigg, performed in English translation. How come? Because the sonority and precision of Racine's verse render him the least translatable poet since Horace. There are only a few hundred words in all his plays. Sometimes – amid the pressure-chamber of his about Phèdre and verse, his French Alexandrines with their intense hexameters and rythming couplets - it feels that there are only a few dozen words; and it seems that both the characters and you are fenced in by them. Therefore Britain rarely

sees his plays in the theatre. where they belong. Even if you think that Shakespeare surpasses Racine - the matter has been intensely debated on both sides of the Channel for centuries now, and Stendhal in 1823 wrote an entire book, Racine and Shakespeare on the subject you should recognise that the shortage of Racine on British stages makes our

theatre the poorer. This September, however, this situation will change. Tomorrow Luc Bendy's production of Racine's most famous tragedy, Phèdre, opens at the Edinburgh Fes-Meanwhile the Almeida Theatre has commissioned a new translation

preview season at Malvern team (which also includes Toby Stephens as Hippolytus, Barbara Jefford as Oen-

Britanicus is that they are rattling good yarns. What happens? You want to know. Which I love'

one, and Julian Glover as Theseus) launch a new production of Racine's Britannicus, in a translation by Robert David McDonald.

The Almeida - a theatrical space like no other, and uniquely actor-friendly - has launched a number of productions that have then taken off to West End (and sometimes Broadway) giory. The recent production of The Iceman Cometh, starring Kevin Spacey, is just the most recent example. But to propel a new production straight into the West End, and to choose Racine for the purpose, and to sustain an entire Racine season with a single team of British actors:

Rent, an articulate enthu-

slast for his theatre and its

about the Almeida is that it's just such an exceptional space. It sort of skews plays... take a play like Terence Rattigan's The Deep Blue Sea, which is so often patronised to. Now, when the 1993 Almeida production of that (with Penelope Wilton) went to the West Rnd, it just retreated behind the Proscenium arch, became a conventional West End play. retreated to the time it had been written. Whereas, at the Almeida, it had been extraordinary. And, when I saw it in the West End, I thought "the play we should be doing here is Phèdre. The distance from the audience is important - so that the language can are across the stage. And I think that the are through which language can travel between actors and the audience, is what gives plays their emotional

Nobody in British theatre in the 1990s has done more than Kent to promote the French classical dramatists: Molière, Corneille, Racine. But he sees that, for the average English theatregoer, French classical drama is "an alien form. One has to make a mindshift, and help the audience make that mindshift too. The presiding genius of our culture is Shakespeare, who is a great democrat and humanist

as well."



aphor and great arcs of because of the Alexandrines he employed - deals in shards of language. So that the effect is much more adamantine, much harder, and size, and their spiritual size less yielding than Shakespeare. That's difficult to come to terms with if you're

not used to it. What I'm fascinated by in doing these plays is a sense The great Molière comedies show the same benign spirit that Shakesneare has: and I think Molière is absolutely on a level with Shakespeare. But that is not at all what you feel with Racine; with him, you feel a tortured spirit. And a terrible, terrible difficulty and pain about life. statuesque, slightly arid same time, all at some sort The plays are so complex torture-chamber - and his views on sex are so strange. Sex is always a disease, and it always comes with a sense

experience. Perhaps that's because of the glory of his language. But in fact be's highly theatrical. The great thing about Phèdre and Britonnicus is that they are - as

of extremity. They keep trying to leave, but they keep being drawn back. They only really leave the stace to die. Racine's control of the form - in the rhythms of the play

With Racine, the stage becomes a trap. These people in these little landscapes keep trying to leave, but they keep being drawn back. They only really leave the stage to die

of pain. That's true of all his my father would say - rat- - is extraordinary. No scene plays. And desire has so tling good yarns. What hap is allowed to reach any sort often a sense of guilt. "Somehow all of this

makes him the most astonishingly radical - aggressive, erotic - playwright. Yet we tend not to think that.

We think of a static, rather

know. Which I love. "In Racine's plays, the

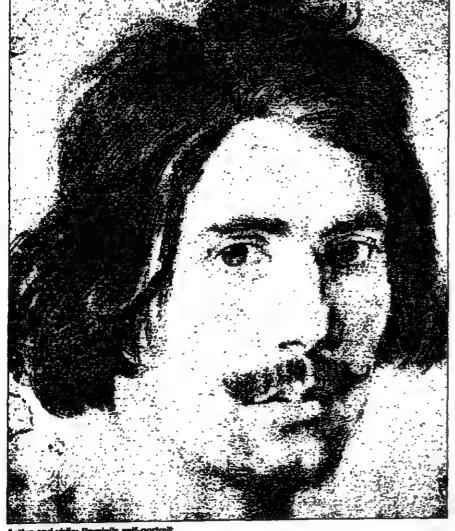
stage becomes a trap. These people in these little landscapes, all arriving on this

pens next? You want to of conclusion. Always another scene intrudes, and blazes its way across. So you, and the characters, are always left suspended. The play should be a sort of hel-

"Of course, you can never reproduce in English the effect of the Alexandrines. What you need, and what we've been lucky enough to have with Ted Hughes, is a response. This is Racine seen through the prism of Hughes's - I'd go so far as to say - genius. You don't want anything slavish, because translation isn't a plateglass window through which you see the play unalloyed. The personality of the translator has to be there. A translation is a dialogue between the time and place in which the play was written and the time and place in which it's being performed. And both sides of the conversation must have their voice. That's what's great about the Hughes version: it's a dialogue between these two

How is Kent handling the classical style of these plays? You have to honour the I mean about both sides of the conversation. I am doing Phedre in 17th-century costumes, as contemporary to Racine. One could do it in Greek costumes: I'm sure you've seen those pictures of umpteen old French produc tions with embarrassing togas and things. Britannicus I'm doing as contemporary to us. What's wonderful about that play is that it's a sort of theatrical thriller.
"Energy is crucial. If I

have one particular failing, it's in sometimes making things too loud - because I want to release energy. Energy is quite often too contained. But when you think that Montfleury had a stroke and died on stage as Oreste in Racine's Andromaque... when you read about Racine's theatre, you find that speeches would be interrupted five or six times with bursts of applause. It was a boisterous rough theatre. and yet with this astonishing sophistication of language. That's the amazing schizophrenia of these



Active and virile: Bernini's self-portrait

EXHIBITIONS SUMMER SHOWS IN EDINBURGH

Explorations of intrigue and love

William Packer enjoys Roman politics and Stuart tragedy in two shows linked by the 17th century

study of sculptural rivalries and other a full and rich account of the The tenuous link between the two is a long-lost portrait bust, commissioned from Bernini, the subject of the first exhibition, of the equally ill-fated Charles I, the brother of the subject of the other exhibition.

Lost in a fire in the Palace of Whitehall in 1698, we know of its existence by the triple portrait by Van Dyck - two profiles and fullface - which Henrietta Maria, Charles's queen, had sent to Rome for Bernini's benefit; and by a fragment of the face, only lately come to light, cast in plaster from the original and subsequently embellished with angel's wings to honour the martyr king. It is a remarkable object, poignant in its immediacy for all its chips and scratches, and fresh,

so it seems, from the master's hand. Effigies & Ecstasies sets this and other commissions against the background of Bernini's Rome, with all its politickings, favouritisms and intrigues, With St Peter's and the shows us drawings and models for he projects. Algardi is the more all the major architectural and devo-reflective and passive in his monu-

This year the main summer shows tional projects. We are also shown mentality, though moderated by the nate lost for ever. The Prince of baroque manner, and the most ten- and lace. der and intimate of inquiries. There

at two of Edinburgh's leading public Bernini himself, in images that take deftest personal touches. Give Ber- Orange gave them refuge at The institutions take their subject from us from the young prodigy of the nini his head, as it were, as with the Hague, where they kept their modest the 17th century. They could hardly 1620s to the ageing master 50 years endearing portrait of Thomas Baker, court. Frederick died at Mainz in be more different; one is a scholarly on. His own drawings, notably his the swanky young Suffolk squire. 1632, and Elizabeth wore mourning self-portraits: are at once virtuoso - and there is no limit to the extrava clerical patronage in Rome; the demonstrations in the grand gance of what he can do with curls Blizabeth Stuart, the Winter

is also a group of his paintings from Queen, is barely remembered today

Bernini's drawings are at once virtuoso demonstrations in the grand manner, and the most tender and intimate of enquiries

the 1620s, vigorous Caravaggesque except by students of the Thirty half-lengths of assorted saints, surprisingly free and direct in their

But the heart of the show lies with the portrait busts and, in a handful of the finest examples, the direct comparison to be made between Bernini and his contemporaries, particularly Alessandro Algardi. What comes out of it is an awareness not so much of superiority, but of the differences of character and temperament. Bernini, for all the clerical dignity of such sitters as Carlo dal Pozzo, Archbishop of Pisa, is nonetheless active and virile in the image

Years War. Yet she deserves better. for she left her mark. In 1612 James I, her father, gave her, aged 16, to Frederick, the Elector Palatine, in an arranged marriage as a Protestant counter to the marriage of his son. Charles, to the Catholic Henrietta Maria. Although it proved a love match, their lives together were to be dogged by disaster and tragedy. Frederick, a pawn in the imperial and religious politics of the time, was persuaded to accept the throne of Bohemia. Defeated by the Catholic League at the Battle of the White Mountain in 1620, he and his young queen fled Prague, his capital, never

to return, both kingdom and palati-

for the rest of her life - thoug apparently she habitually wore low

The widowed Elizabeth returned to England after the Civil War in Britain, in hope of recovering some of what she felt was owed her. She

died in 1863. Such is the touching story of the Winter Queen. And in her likenesses, from the ravishing 14-yearold princess, full length in her rich court dress, by Robert Peake; to the wistful young wife in exile, with her long loose hair and strings of pearls. by Mierevelt; to the handsome, dignified widow that Honthorst so often represented, she comes wonderfully to life, with her beloved husband and all the characters of her life and

times about her.

Erigas & Ecstasies — Roman Baroque Sculpture & Design in the Age of Ber-nini: The National Gallery of Scotland, The Mound, Edinburgh, until September 20; sponsored by Banca of Roma, and the Henry Moore Foundation. The Winter Queen - the Life of Elizabeth of Boilemly 1596-1662: The Southelt Methors Portrait Gallery, 1 Queen Street, Edinburgh, until October 4; sponsored by

INTERNATIONAL

Arts Guide

BILBAO

FXHIBITION Guggenheim Museum Bilbac Tel: 34-4-423 2799 www.guggenheim.org

China - 5,000 Years: organised in collaboration with the Ministry of Culture of the People's Republic of China, comprising 500 works of art ranging from the Neolithic to the contemporary. Many of these objects have never before been seen outside China; to Sep 1

BIRMINGHAM CONCERT

Symplyony Heli Tet: 44-121-212 3333 Chiorgo Symphony Orchestra: conducted by Daniel Barenbolm In works by Strauss, Berg and Tchalkovsky; Sep 5

BRUSSELS CONCERT
Palely the Beaux Arts
Dos Attales Philharmonics
Concluded by Esa-Pekka on in works by Copiand.

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Salonen and Sibelius: Seo 2

BUDAPEST EXHIBITION Hungarian National Gallery, Buda Castle Tel: 36-1-375 7533 Jozsef Rippi-Ronai: retrospective of the Hungarian post-impressionist, comprisina 250 works. includes decorative art objects and personal photographs and letters as well as paintings loaned by private collectors and museums; then transferring to Saint-Germain-en-Laye near Paris: to Sep 6

CHICAGO EXHIBITION Art Institute Of Chicago Tel: 1-312-443 3600 www.ertic.edu Japan 2000: Design for the Japanese Public. Part two of the series focuses on the G-Mark system, which promotes good design. Includes watches and bicycles; Kisho Kurokawa

EDINBURGH

Gallery; to Sep 7

OPERA Edinburgh International Festival Tel: 44-131-473 2000 www.go-edinburgh.co.uk Dalibor: by Smetana. New Scottish Opera production by David Pountney. With sets by Ratch Koltai and costumes by Sue Willmington. The conductor is Richard Armstrong; Edinburgh Festival Theatre; Sep 3, 5

 Libuše: by Smetana. Concert performance by the BBC Scottish Symphony Orchestra and the Edinburgh Festival Chorus, conducted by Oliver von Dohnányi; Sep 4

THEATRE Edinburgh International Festival Tel: 44-131-473 2000 www.go-edinburgh.co.uk Catigula: by Albert Camus. Dutch performance with English subtities, directed by Ivo van Hove; the Edinburgh Playhouse; Sep 2, 3 ● More Stately Mansions: by Eugene O'Neill. Adapted by Karl

Ragnar Gierow from O'Nelli's unfinished manuscript, Ivo van Howe directs the New York Theatre Workshop; Royal Lyceum Theatre: Sep 1, 2, 3, 4, 5 Phèdre: by Racine. New Théâtre Vidy-Lausanne production, directed by Luc Bondy, King's Theatre; Sep 2, 3, Sep 4, 5

LONDON CONCERTS

BBC Proms, Royal Albert Hall Tel: 44-171-589 8212 BBC Singers: conducted by Jane Glover in works by Britten. Kodály, Elgar, Szymanowski and Parry. With the Choristers of Guildford Cathedral; Sep 4 BBC Symphony Orchestra: conducted by Manfred Honeck in

works by Webern, Beethoven and Prokofley. With piano soloist Alfred Brendel; Sep 2 Chicago Symphony Orchestra: conducted by Daniel Barenboim in the European

premiere of Harrison Birtwistle's Exody. The programme is completed by Mahler's Symphony No. 5; Sep 3 European Union Youth Orchestra: conducted by Vladimir Ashkenazy in works by Berg and Strauss. With soprano Barbara Bonney, Sep 5

 Los Angeles Philharmonic: conducted by Esa-Pekka Selonen in works by John Adams, Mahler and Sibelius. With mezzo-soprano Lorraine Hunt: Sep 1 EXHIBITIONS

Hayward Gallery Tel: 44-171-261 0127 www.hayward-gallery.org.uk Bruce Nauman: spanning the career of the American artist, b.1941, this exhibition focuses on his relationship with language, and includes sound and video installations as well as neon pieces such as One hundred live and die (1984); to Sep 6

Tate Gallery Tel: 44-171-887 8000 Patrick Heron: b. 1920, Heron is one of the leading figures of 20th century British art. He led the development of abstract art in Britain with his stripe paintings produced in the 1950s. This display includes around 80 paintings, from the 1930s to the present; to Sep 6

LUCERNE CONCERTS International Festival of Music Tel: 41-41-226 4400

WWW.LucemeMusic.ch/

 Amsterdam Baroque Orchestra: Ton Koopman conducts works by Mozart. With soprano Lisa Larsson, contralto Elisabeth von Magnus, tenor Paul Agnew and bass Klaus Mertens; Sep 6

 BBC Symphony Orchestra: Andrew Davis conducts works by Ravel, Mozart, Walton and Elgar. With planist Richard Goode; Sep 7 Los Angeles Philhamonic.

conducted by Esa-Pekka Salonen in works by Copland, Salonen and Stravinsky; Sep 3 Los Angeles Philharmonica conducted by Esa-Pekka Salonen in works by Strauss and Bruckner. With soprano Gundula Janowitz; Sep 4

 Royal Concertgebouw Orchestra: conducted by Riccardo Chailly in works by, Debussy and Varèse. With soprano Sarah Leonard; Sep 5 Saint François d'Assise: by Messiaen. Concert performance of the Salzburg Festival production, with the Hallé Orchestra and Arnold Schoenberg Chair conducted by Kent Nagano. The staging is by Erwin Ortner and the cast includes José van Dam and

NEW YORK EXMIBITIONS

Dawn Upshaw; Sep 1

Guggenheim Museum Tel: 1-212-423 3500 www.guggenheim.org Peggy Guggenheim: A Centennial Celebration. To mark the 100th anniversary of Peggy Guggenheim's birth, the museum has organised a display of paintings and sculptures from her collection, one of the most impressive of all 20th-century art collections; to Sep 2

 Vilhelm Hammershoi (1864-1916): Danish Painter of Solitude and Light. Retrospective seen in Copenhagen and Paris last year, comprising 60 works by this relatively unknown contemporary of Munch, includes portraits and landscapes as well as interiors; to Sep 7

Tel: 1-212-879 5500 www.metmuseum.org Sir Edward Burne-Jones: first American exhibition devoted to the 19th-century British artist, comprising more than 200 works, including tapestries and jewellery as well as paintings. The exhibition will travel to Birmingham, UK, in October and to Paris next year, to Sep 6

Metropolitan Museum of Art

TOKYO CONCERTS Suntory Hall

Tel: 81-3-3584 9999 Japan Philharmonic Symphony Orchestra: conducted by Gianluigi Gelmetti in Rossini's Petite Messe Solennelle; Sep 6 Japan Shinsel Symphony Orchestra: conducted by Antonello Allemandi in works by Rossini: Sep 5 Orchestra Filarmonica della Scala: conducted by Riccardo Muti in works by Schumann and Tchaikovsky; Sep 2 Orchestra Filarmonica della

Scala: conducted by Riccardo Muti in works by Verdi: Sep 3 Tokyo Metropolitan Symphony Orchestra: conducted by Ken Takaseki in works by Reger and Beethoven: Sep 4 Tokyo Philharmonic Orchestra: conducted by Kazushi Ono in works by Tchaikovsky and Ravel; Sep 1

ECHIBITION **Museum of Contemporary Art**

Tel: 81-3-5245 4111 At the End of the Century: One Hundred Years of Architecture. Touring exhibition reflecting on a century of dramatic change, from early 20th-century colonial architecture through modernism and the Bauhaus to the rise of theory and skyscrapers. The installation is designed by Frank O Gehry; to Sep 6

TURIN CONCERT Lingotto Fiere Los Angeles Phitharmonic: conducted by Esa-Pekka Salonen in works by Schoenberg and Bruckner: Sep 7

WASHINGTON EXHIBITION National Gallery of Art Tel: 1-202-737 4215

www.nga.gov Artists and the Avant-Garde Theater in Paris: exhibition exploring the dynamic relationship between the visual and performing arts which developed in Paris in the 1880s and 1890s; to Sep 7

right thing to do," said Philip Moffitt, executive vice-president of Tokal Asia, while selling Hong Kong dolthe investment arm of Japan's Tokai bank. Intervention was proving unsustainably and unexpectedly costly. But, he added, the retreat was likely to prove tactical and temporary and he warned of "a big risk" that Hong Kongers could panic if the market falls sbarply.

The stakes stretch far beyond the stock market. With turmoil sweeping world markets, the Hong Kong dollar looks to be among the most vulnerable of candidates for the next collapse. As the post-colonial administration gambles with its credibility, the battle for Seng index, still almost 10 the Hong Kong dollar is a per cent above the level political test as well as a financial crisis. Loss of public confidence would imperil the currency peg to the US dollar, the linchpin of the financial system. By intervening to prop up the stock market, the administration has already damaged its reputation as a free-market

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financial centre. Hong Kong's crisis poses a challenge for Betjing, which is anxiously eyeing the problems in the capitalist prize it acquired last year. Nor is China alone in its worries. The dislodging of Hong Kong's currency peg could accelerate Asia's vicious cycle of decline. As the region's biggest financial centre outside Japan, international banks are preoccupied with Hong Kong's problems. HSBC, one of the world's biggest banks, derives a significant chunk of its profits there.

Much depends on whether the government can engineer a soft landing in the

HSA is the No.1 health care cash

benefits plan, acknowledged by

successful companies as being a

HSA is not private medical insurance.

towards everyday health care

HSA provides tax-free cash payments

care scheme.

costs including

dental, optical,

physiotherapy and

hospital in-patient.

whether treatment is

20 cash benefits -

NHS or private.

vital part of their corporate health

One country, two systems, big crisis

The Hong Kong government has undermined its credibility by intervening to prop up the stock market, says John Ridding

stock market. While alarm- order to the markets by tion on the part of internaing, yesterday's plunge is blocking the "double play". tional investors worried not evidence that it has But Mr Yam himself sig- about a significant shift in failed. The government's nalled that any gains had intervention was aimed at been costly. "By the look of ture. "After the reunification deterring the so-called "dou- it they [the hedge funds] are of Hong Kong and China, the ble play". This is a tactic by very much alive in the cur- big fear was that you would "It was absolutely the which speculators take "short" positions on the stock market futures index lars; the aim is to put pressure on the currency, driving interest rates up and realising profits on the futures contract. "We suffered losses," admits a senior executive at one hedge fund. "I guess they had a victory on Friday (when the govern-

> ment spent US\$7bn in a davl' But the sharp fall underlines the daunting task facing the administration. Many traders are hiding their time, rolling over their short positions from the August contract to September, sensing that the Hang where intervention was launched, remains a tempting target.

> Government officials reject claims they are at war with speculators, saying they are trying to restore

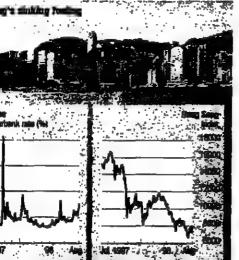
rency markets," he told a local newspaper. Other measures are being

sharp increase in the cost of holding large futures positions, which took effect yesterday. But as with the stock market intervention, which encouraged many fund managers to dump shares at high prices, these moves could backfire.

Interbank interest rates shot up yesterday, with the huge cost to our standing as overnight rate climbing a financial centre. Instead of above 20 per cent. The surge partly reflected concerns about the change in rules and the need to collect funds to cover the higher costs. Unless these rates can be brought down it will be hard to avoid a rise in bank prime lending rates soon. That would deal a further blow to the battered economy, which is expected to contract by 4 per cent this year, according to government forecasts

The rise in interest rates partly reflects broad disaffec-

released last week.



If bills for the dentist, optician and

physiotherapist keep your staff awake at night,

it's not just their health that could suffer.

Hong Kong's business cul-

see the dismantling of free market principles," says Mark Konyn, director of introduced, including a Dresdner RCM, the fund manager. "The stock market is a monument to those principles and yet within 15 months of the handover there has been a major intervention.' Martin Lee, leader of the

Democratic Party, the territory's most popular political group, also says: "This is a the government being a regulator it is now a player." But so far, most opinion in Hong Kong has been more

supportive. Business leaders have generally expressed backing, perhaps not surprisingly since many have benefited from the purchase of blue chip shares. And a poll published in the Sing Pac daily showed 53 per cent in favour of the move, against 37 per cent opposed People are rallying behind the government because they see it as a battle." save K.C. Chan, head of the

finance department at Hong

Kong University.

But if the government is to retain that support, it cannot afford to lose the battle it has begun against currency speculators. After yesterday's retreat there were already grumblings. looks like they have been forced to give up," said one retail investor. High interest rates and falls in property prices will increase public pain, particularly given that are aiready suffering from negative equity.

The real tragedy is that this is sowing the seeds for significant domestic disquiet," says Mr Moffitt. When people regise their money is being wasted then

there could be social problems and that will make Hong Kong a less attractive place to invest."

A more immediate danger is that failure would undermine the credibility of the government. A string of mishans over recent months. including the fiasco of the airport opening, has prompted a steady fall in support for Tung Chee-hwa and his administration.

"They are seen as incompetent," says Emily Lau, a legislator and vocal critic of the government. Public satisfaction with Mr Tung has fallen per cent last October to just over 55 per cent last month. Under the terms of the

Basic Law, Hong Kong's post-colonial constitution, the territory's leaders canno be replaced. That might pro-vide them some comfort. But it also presents the danger that disaffected Hong Kongers will vote with their dollars. A switch into the greenback would scupper the peg. None of this is lost on Bei-

jing, which has much at stake in Hong Kong, its main source of the international capital required to help restructure state-owned industries. Last weekend, a senior mainland economis signalled that China would be willing to use some of its foreign exchange reserves of US\$140hn if necessary.

Practical assistance, how-

ever, would be complex and controversial. With unemployment rising rapidly on the mainland and the economy slowing, it would be hard to justify using China's foreign exchange reserves to support affluent Hong Kong. International investors already alarmed at the Hon-Kong government's interven tion, would take fright at mainland money buying blue-chip shares. Chinese companies have strategic stakes in many Hong Kong move would undermine confidence in the "one country, two systems" formula.

That formula, and its guarantee of autonomy for Hong Kong, was meant to protect the capitalist territory from the mainland. Instead, and with painful irony, the problems have emerged at home. The one system that is Hong Kong must now manage itself out of crisis and it is looking like an unhill task.

LETTERS TO THE EDITOR

Safety first? Not for Reuters . . . we're out of a niche and on the web

Sir, A wet Sunday gave me a chance to peruse the FT web site for the article "Poverty of ambition" (August 21) by Hugo Dixon, which mentioned Reuters. A rapid 30-day word search locates his habitual description of us as an anorexic company which, for lack of ambition, clings to a finan-

cial information niche. On to the rest of the FT site. Very informative, with distinctive news analysis. Good to see acknowledgement of Reuters news here and there, particularly Reuters Television, which inter

The site has useful descriptions of newish Reuters web sites, including ities and energy site, though no mention yet of our health

news site, popular in the US. Another click of the mouse, this time on the performing. If so, they tan AltaVista site, locates 652,690 internet references to Reuters - this is mainly because we were the first to distribute news through virtually all the big internet outlets (before they became big). We have investments in several

of them.

acomired. If people want more detail

they can go through the internet to our Business Briefing database, with 10 years of history on a huge array of serious subject matter drawn from our own news wires and several thousand other publications. With electronic commerce taking off, investors can find our company news at numerous electronic brokerage sites and even use our

software to see their

how their mutual funds are go to Reuters corporate weh site, www.reuters.com, to find indices from Lipper Analytical Services, the leading US funds information provider. which Reuters recently What was it that Mr Dixon

said again? "Surely Rentary was well-positioned to move into other online services. and the internet. But no. Safety first. It has stayed largely in its niche."

Hmm . . . The writer should have done a bit of surfing in the August bresk and I do not mean the Con nish beach variety.

chief enecutive Reuters. 85 Fleet Street.

Boris Yeltsin never read Macbeth

account, or to trade.

From Mr Robert Ellmenn.

Sir, I write with reference "Who lost Russia" (August 28). There is good, and and ugly in the present

The good: Russia must be a market economy already, and no longer in transition, because it has collapsed as a market conomy would - currency, successfully a European Czech Republic

capital and equity markets.

The bad: the success of implementing the market in Russia has led to nothing much, except the publication of a bunch of ghastly "market how-to" books by dime-a-dozen university

will never, ever implement

stood Marx's books. Mikhail Margaret Thatcher's privatisations. And Boris Yeltsin never read Macbeth.

The ugly: the Russians

Robert Ellmann, Vana, Pergi & Partners,

Politically correct 'reunion' poses problems

From Mr Michael Wood. article "A most exclusive club" (August 26), Kirsty Hughes refers to "reuniting

Europe". When was it united? If this politically correct

concept is based on reestablishing the (imagined) long-term stability of the Roman Empire, then surely

Sir, in her Personal View with the countries of east Europeans should north Africa and the Middle

This would, of course, raise the problem of what to do with all those European- to heaven. territories lying north of the

Alternatively, she could be harking back to the short-lived efforts of Karl der Grosse (with apologies to the L1449 Luxembourg

be engaged in urgent talks Francophiles), in which case understand that they are simply modern sacrificial Saxons and must bear their pain if they want admission

> ZMC. 4 rue de l'Esm. Hôt Clairfontaine.

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Back in the firing line

Venezuela and Brazil are both facing a financial crisis. The uncertainty of presidential elections makes matters worse, say Richard Lapper and Raymond Colitt

tself against the the Asian crisis thanks largely to the vigour with which Brazil cut spending and raised interest rates. Now the pressure is on again, more intense than ever, because of the Russian

This time, the country most in the firing line is Venezuela. The growing popment there led by Hugo Chaves, a charismatic former army officer, is adding a political dimension to the region's financial crisis. If Venezuela's currency collapses, it will be all the harder for the bigger economies of the continent - most importantly, Brazil - to retain international confidence and prevent a new flight of portfolio investment. For US companies that could have a bigger through direct investment and trade, they have more at stake in Latin America than

n any other emerging mar-For much of the year Venezuela has been struggling as a result of the shimp in the price of oil, which has fallen from nearly \$22 a barrel last September to less than \$13 a barrel now. The country, which accounts for per cent of world oil exports and is the main supplier to the US, relies on all for nearly balf of its public sector income and more than two-thirds of its export reve nues. The decline in oil cices, which partly reflects falling demand in Asia, has leaving Venezuela with an expected fiscal deficit of 5.3 per cent of gross domestic product. Many analysts

Over the past few weeks investors have become increasingly worrled by political uncertainty shead of December's presidential election, especially by signs of growing support for Mr ite to win. The Caracas stock it has fallen over 70 per cent



per cent). Venezuela's international bonds are trading at levels that imply expectations of a default. On Friday afternoon, yields on some

40 per cent.

colonel, he led a bloody but unsuccessful military coup six years ago. After a period in jail he has emerged as the most prominent opponent of the government's programme of economic liberalcorruption and misment and an advo-

cate of far-reaching constitucharacteristics shared by another former general turned presidential hopeful. Alexander Lebed of Russia. lysts wrote off Mr Chavez's

Earlier this year local anaopinion poll showings as a flash in the pan. But his popularity has been repeatedly confirmed over the past five months. A recent poll by the Datanalisis polling organisation showed that 46 per cent vote for Mr Chávez in December, 19 points more than his nearest rival.

In recent weeks, local bosinessmen who have long been worried about Mr Chavez have been buying dollars, forcing the government to raise short-term interest rates to defend the holivar. the local currency. And over the last two weeks in the wake of the Russian debt default, Mr Chávez's hints of a possible moratorium on

cance. "I think events in Russia have focused people's attention on what Chaves has said," says Francis Freisinger, head of Latin American economics at Merrill Lynch in New York. "In other countries you have a fair idea about what the policy will be after the election. But in Venezuela there is tremendous uncertainty about the future."

Venezuela's debt repayments

but it is not unique: some of its problems appear elsemidst of an election campaign while struggling with a large budget deficit and a falling stockmarket. Its fiscal deficit - which reached 7 per cent of GDP in May - and sizeable current account deficit have been a source of concern for some time. "The markets are so nervous," says Mr Ian Campbell, head of Latin American Research at Banc-Boston Securities in Boston. "A Venezuelan devaluation would give the impression that contagion is

spreading to Latin America." Brazil is taking a mauling on the markets. Last week, shares on the São Paulo stock exchange fell by 13 per cent. Yields on one class of widely traded bonds rose by more than 4 per cent over the course of the week to nearly 24 per cent. So far there has been no sign that result of Brazil's presidential elections in October, in which President Fernando

Henrique Cardoso still

enjoys a strong opinion poll lead over Luis Inácio Lula da ers' Party.

bond markets will put pressure on the government to defend Brazil's currency, the real, and that in turn would increase the burden of servizil has room for manoeuvre it has some \$67bn in international reserves - and

But there is little doubt that the shift in investor sentiment is changing the ecowhen Brazil may need to borrow as much as \$50bn abroad in order to service its current account deficit and Analysts are worried that

it will be more expensive and more difficult for the government to raise debt

"I am afraid that invest revised downwards," says-Mr Freisinger, who is one of ing a more pessimistic view of growth prospects.

Even if the panic of recent weeks eases, Brazil - like the rest of Latin America faces tough times. If it does any of this will influence the not ease, Latin America could move from the outpatients' department of the global market hospital to the

But further falls in the

Gore's calls

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Tuesday September 1 1998

Howard's

way

Australia's John Howard may without such a tax, and its public come across as a colouriess prime finances are distorted as a result. minister, but he has shown some The consumption tax would not deft political skills in calling an only help france large cuts in election before the full force of personal tax; it would also pave the Asian downturn hits the local the way for other reforms. Taxaeconomy. Thanks to the launch of a national debate on tax be reduced, helping Australia reform, he has wrong-footed Pauline Hanson's anti-immigrant One Nation party and ensured that the campaign will not end up an unseemly battle over racial issues as had once been feared.

Yet it would be rash to suppose that the outcome will be entirely benign. Ms Hanson's support has been waning, partly as a result of the unimpressive performance of her party in the Queensland par-Hament and partly because she now faces the hard test of putting forward real policies rather than just sniping from the sidelines. The social and racial pressures which sparked her original success remain, however, and will almost certainly intensity as the economy deteriorates.

Mr Howard's Liberal-National coalition may thus win a majority in the lower house, but it is hold the balance of power. That could make implementing tax reform difficult – a pity since Mr Howard's proposals would help modernise Australia's antiquated K tax system by introducing a consumption tax.

Australia is rare among reform to push through there will advanced economies in being be a lot to fix.

tion of financial services would compete as a financial centre. Exporters would be able to claim rebates - just as their competitors receive on value added tax in other countries - whereas they are unable to reclaim anything

on the existing wholesale tax. In contrast, the Labour opposition offers a more modest targeted tax credit for low earners. This would have the advantage of encouraging people to move off welfare and into work, but the overwhelming disadvantage of creating a very high marginal tax rate at the threshold where the tax credit falls away.

Labour is gambling on the hope that the electorate's visceral dislike of a consumption tax will hurt the coalition's chances, Mr Howard on the hope a larger tax cut will persuade people to swallow the new tax. Voters thus conmost unlikely to control the Sen-front a real choice between mainate where One Nation could even stream parties which will marginalise smaller groupings like One Nation.

The real question is what comes after the election. Mr Howard has demonstrated talent as a fixer. With the Australian dollar at record lows and tax

Gore's calls

Al Gore has made strenuous efforts to avoid fail out from the lated the law by fundraising from troubles which threaten to engulf his office are trivial in the con-Bill Clinton's presidency. But text of an election campaign durnow Janet Reno, the US attorney- ing which both main political general, has reopened an investi- parties ignored the spirit if not gation into Mr Gore's fundraising the letter of the law on a large in the 1996 election. The acale, But this affair adds fresh vice-president could soon have a complications to the troubles of

special prosecutor of his own. Last year's inquiry into White House fundraising found that Mr ter than anyone, a special prose-Gore had telephoned potential donors from the White House. This could be illegal under a century-old law that prohibits the solicitation of campaign funds on federal property. Ms Reno has so far rejected Republican demands for a special prosecutor because Mr Gore said he only solicited "soft money" for general campaigning, not hard money for individual candidates.

However, the Justice Department has obtained a White House memorandum, and notes from a Gore aide, that suggest the vice-president may have known all along that some of the cash he helped raise would be illegally

The issue is whether Mr Gore lied when he told the Justice Department and the FBI last November that he was unaware y money would end up in an account for hard money. Ms pressure, has 90 days to decide whether these revelations merit a special prosecutor.

ing on this thread.

Second, any problems for Mr Gore would have a direct impact on Mr Clinton's own position. In the coming months, it is possible have to decide whether they are going to stick with their president. At the moment, they have an alternative in the shape of the wooden but respectable Mr Gore. tion, the calculations would change. It is a measure of Mr Clinton's weakness that he could actually benefit, at least in the short term, from the troubles of

the Democratic party.

First, as Mr Chinton knows bet-

cutor can always seek to expand his enquiries if evidence is found of extended wrongdoing. While Mr Gore's alleged offence is small, there are much more serious questions about the White House's broad approach to fund raising in 1996, including the possibility of illegal foreign contributions. If a prosecutor starts pullunravelling process could take years - and lead anywhere.

his anointed successor.

🔫 akako Shoji, a 57-yearold widow, is facing a bleak future. Three months ago, she lost her job at an animal health products company and dutifully visited her local job centre to find

hnother.
Though the centre is optimistically dubbed Hello Work! - or Haro Wahku! - it refused to help because of her age. Her unemployment insurance is due to run out in six months but she cannot start her pension for three years. Under Prime Minister Obuchi," she says, "the economy will not improve. No one can have hopes for the future."

Her pessimism is understandable. Less predictable is whether people like Mrs Shofi are prepared to complain. There is no shortage of things to complain about. Unemployment hit a record 4.3 per cent in June and is projected to reach 5 per cent by the end of the year. Average income per household fell by 1.8 per cent in the year to June, or by 4.9 per cent excluding tax

But thus far, there has been little sign of the type of public revolt that might force real change. Voters delivered a rebuke to the ruling Liberal Democratic party by ousting the LDP from some seats in the upper house of parliament in a July election. But the LDP still has little sense of crisis within its ranks. And in sharp contrast to countries such as South Korea, Japan has not yet seen the widespread protests that might presage a U-turn.

"There are parallels between Japan now and the UK in the 1970s, only without the miners' strike," says Kevin Gibson, a UK fund manager who, like many investors, is scouring Japan for signs of change. "So I am won-dering if maybe things are just not bad enough yet to really affect people."

The suspicion is half right. As Mrs Shoji's tale shows, Japan's economic upheavals are creating losers. But it is not yet creating them in a politically explosive way, or even in a manner that outside observers might expect.

Japan's crisis is slow-burning. lts neighbours, such as South Korea, might have crashed last year but Japan's deterioration has lasted the entire decade The value of land - a key component of family wealth - has crumbled for seven years. The stock market has never risen far from its post-bubble plunge. Even the rise in the jobless rate has been

stealthy, not sudden. Furthermore, pain is still being deferred. For the most part, compenies are extremely reluctant to make their workers redundant, even when they are heavily in febt. And though reliable statistics on household wealth are lacking, with an official Y1,200,000bn (£5,063bn) of national savings, many Japanese families still have money to cush-

ion blows. To see how, look at an economic black spot such as Wakayama in central Japan. The town is a mere one hour plane journe; away from the capital. But it is a sharp contrast to the stillwealthy parts of central Tokyo, such as Ginza, which most for signers know. Shops in Wakayama's centre are empty of customers, and many are boarded up. A bomeless woman in her twenties crouches at a street corner. The only point of bustle is the

local Hello Work! centre; unsur-

prisingly. Wakayama's effective ing early retirement prounemployment rate climbed to grammes, cutting women of mar-12.2 per cent in July, after two of riageable age, or not hiring gradthe city's largest banks collapsed. uates. Consequently, the fastest growth in joblessness is occuring Asagawagumi, the biggest construction group in the region, has among two groups: the 16- to 24year-olds and those over 54. You might think that the 16- to

Japan's silent losers

Victims of the country's slow-burning economic crisis are unwilling to make the kind of public

protest that could presage real change, says Gillian Tett

also failed. Meanwhile, new job offers at timber and chemical companies - large local employ-24-year-olds would be the ones ers - are down by an annual 80 per cent and 59 per cent respectively, reflecting the corporate ze faced by Japan's tradi-"You've heard of a deflationary

spiral? We've got one here in Wakayama," says Nobuki Yamamoto, an employee at Hello Work!. "People do not want to buy anything except the basic essentials because they think it could get cheaper in the future. But even in Wakayama Mr

Yamamoto is not expecting mass protest. Most lossmaking compa nies, he says, are reluctant to fire ied children live with their parstaff. And most of his contempo-"raries are making ends meet. "People often say that even if Japan falls into a depression, people will still eat well," says Mr Yamamoto. "Things are just not that bad yet." There is a second reason for

tional industries.

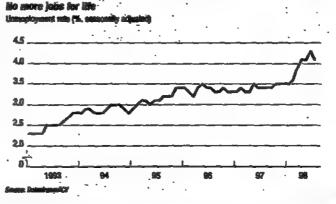
the silence: the age profile of the unemployed. For Japan's "job for life" culture means that most companies who are forced to cut creetly, by, for example, introduc-

most likely to protest in public. However, this youth unemployment does not appear to have created a dangerously disaffected group . In Japan many unmarr-

'You've heard of a deflationary spiral? We've got one here in Wakayama'

ents, which shields them from the immediate economic pain. "I can afford to wait until the recession ends," confesses Shigemi Suzuki, 30, who has been jobhunting fruitlessly for several months around Tokyo - but like most of her contemporaries is still supported by her parents.

And some young jobless people are also proving relatively flexible in their job search. Yuko workers prefer to do so dis- Kunugi, 23, an architectural design graduate in her twenties,



OBSERVER

for example, says that many of former salary, "I used to trave her unemployed friends went to abroad, and enjoy my hobbies graduate school or moved overseas to avoid the job market altogether. Meanwhile, Takako Shi-

muzu, 29, a former salesgirl of Takashimaya, a department store, has voluntarily quit her job. She now does temporary work - and says she prefers to opt out of Japan's system of lifetime amployment to receive higher pay. "The unemployment rate has finally got high enough

These "old men" – and women often appear some of the greatest towards 6 per cent of gross domestic product, and company pension schemes are under-

thought that all those old men

who are wasting time as manag-

ers and executives should not be

For those who do lose their jobs, the squeeze can be grim. Ikuo Hotta, 55, a former manager with Yamaichi Securities which collapsed last year, for example, has spent months searching for a job, before finally finding work at a construction company. This makes him luckier than some: Mr Hotta save that many middleaged female colleagues at Yamsichi have yet to find work. But he now earns Y250,000 a month, a

funded by some Y60,000bn,

according to data from Daiwa

third of his former salary. "I had planned to retire at 65, but now I think I will have to work after that to support my family and finish the loan repayment on my house," says Katsuhiro Wada, 54, a former employee of Nissan Mutual, the life insurance company that also collapsed ast year. He eventually found a job at a medical equipment company. But this is also half his

playing golf, fishing and taking singing lessons. But I cannot do

that any more." So, though some middle-aged people may be suffering, they elso appear the section of Japanese society least likely to protest in public. For unlike Japan's 20- to 30-year-olds who possess brash bubble-era confidence. Japan's middle-aged grew up with a stoic commitment to duty. here that we are returning to a The recent years have left many healthy system. I have always nursing a deep sense of disillusionment. But politics is considered something best left to the "experts". Suffering in silence, in getting those high salaries any- other words, remains the

"Suffering is good for the are less well placed to adapt. national soul," says Fusao Koike, indeed, it is the middle-aged who a struggling middle-aged real estate company employee in trou losers. For they face an increas- bled Wakayama, who has ingly uncertain pensions' future: responded to the squeeze by the budget deficit is bellooning searching for spiritual values and blames the current woes on Japan's headlong dash for growth in the 1970s and 1990s. "Even if salaries are lower, it is a good thing for Japan."

Will this change? Mr Yamemoto, another resident of Wakayama, thinks it might, "If the number of available jobs fails to half its current levels and we see more bankruptcies and lavoffs. the sense of crisis will grow," he says. "Three months more, and this city will have come to the end of its rope."

But in Yokohama Mrs Shoji, for her part, appears unlikely to take up political arms. She is furious that the prime minister is thinking of saving the troubled Long Term Credit Bank, And she despairs of the current crop of politicians. But will she protest? "I would just rather not think about the uneasiness of my own future," she says - and then prepares to continue with her job

Additional reporting by Mitsuko Matsutuni and Nobuko Juji

Ginancial Time

The tide turns

Stock market jitters, the fallout Bank's monetary policy committee Russia's default, a stumble tee, must therefore consider, no in the housing market and mounting evidence of economic slowdown. In Britain - as in the US - the authorities face a sharp: ening dilemma over their next move on interest rates.

remains weak. UK wage pres- some 130,000 people. At least a fort, although perhaps starting to ably needed to return the econcase. Even with base rates at 7.5 only to its trend rate of growth per cent, most forecasts suggest the Bank of England will do well to hit its 2.5 per cent inflation target next year.

But the outlook may be changmonths are the weakest on

The strong pound was bound to squeeze manufacturers. And relatively buoyant retail sales and ner credit continue to give disturbing evidence of a twospeed economy. But although CRI trends surveys are restricted to manufacturing, they have proved of wider significance. Data on skills shortages have, for example, proved a good indication of overheating. This measure now suggests that a fairly sharp fall in output is needed to reduce

tee, must therefore consider, not whether to allow such a retrest in output ~ that is inevitable and desirable. It must consider the chance of it becoming a rout.

The CBI, like the Bank, expects output growth to slow to little The main difference is that in more than 1 per cent next year, the US, inflationary pressure with unemployment rising by sures are still too strong for com- year of such slow growth is proband so control inflation.

But the MPC must also raise its eves above the domestic horizon, to the threat of financial turnol in the rest of the world. The criing. Last week's industrial trends sis in south-east Asia has already survey from the Confederation of depressed its forecast for growth British Industry showed manu- Now the question is whether the facturers' orders at their lowest risk of a collapse in world finanfor five and a half years, while cial confidence - and equities rice expectations in recent might warrant some concerted easing of interest rates.

> The MPC's primary duty must be towards the UK economy. Even so, a general decline in interest rates would make its present monetary stance seem tighter, while a 20 per cent fall in equities could reduce prospects for growth by perhaps 0.2 percentage points. This looks small in itself but it could cause wider ripples, especially if UK house prices really have started to retreat.

For such reasons the MPC must now start to ask when it should cut rates. The answer is Next week's meeting of the probably not quite yet.

Strategic thinking

As if the Philippines needs any more bad news - it reported negative growth for the first time in six years on Friday voles l'umours trava been circulating in Manila that a group of unhappy army generals are plotting a coup against the embattled President Joseph

Estrada, a former 8 movie star. has hardly hit the ground running and has stumbled from one controversy into another. He has also left the brass hats on the sidelines, unlike the late dictator Ferdinand Marcos, who was great friends with the generals, and the previous government of former army general Fidel Ramos was stuffed to the epaulettes with retired military types.

The uniforms weren'timpressed when both Estrada and defence secretary Orly Mercado admitted they had no idea Philippine naval forces were holding joint war games with the Americans recently. Mercado sheepishly said he was new in the job and still getting through unfinished paperwork. Apart from the bumbling new

administration's civilian bent there could be another reason for military misery. Mercado has been asking questions about the administration of army pensions. Accused of having its hand in the till, the military has been less than co-operative. And what better way to throw the enemy off the scent than to make sure that rumours of a coup are

Tail-end Toro

So it will soon be a big goodbye to Panama's president Emesto "Toro" Pérez Balladares, whose re-election bid came off the rails in a referendum on Sunday. As he enjoys his last 12 months in office, there will be a growing queue to take his place.

Top dog in the opposition ranks is Mireya Moscoso, who enjoyed goading "Toro" at the referendum victory party by brandishing bullfighting paraphemalia in her Amutilsta party colours. But Moscoso knows how

difficult it is to stay in power onuov sitt as tarti barrisal ede wife of the late Arruffo Arias, the willy nationalist leader who was a thom in the side of Panama's ruling eite for 50 years. Amulto won three elections. but each time he was ousted

before he had time to redecorate the presidential palace. The last time was in 1968 - after only 11 days - and he and Mireya had to fiee the couple of miles into what was then the US-occupied canal mine. One Moscoso scquaintance remembers driving back and forward through the night with carloads of clothes so

that she wouldn't go ragged in

In all, Aries served only two and a half years of the 14 he should have been in power, and was cheated out of another two wins by electoral fraud. Mireya is hoping for better luck next time.

Autumn leaves

The next big set-piece summit on the European Union's future could turn out to be more October farce than Oktoberfest. Germany's general election could leave Europe's political musclemen hamstrung at just the wrong moment.

The Austrian EU presidency has great hopes for its home soil summit. Institutional reform is high on the agenda as Europe's bigwigs try to counter the tide of scepticism rising everywhere from Malaga to Manchester. All well and good if Chancellor Kohi pulls off an unexpected win

in September's poll; but things could get messy if Gerhard Schröder unseats his adversary. it could take weeks for the up-and-coming Social Democrat to piece together a coalition to put before the Bundestag. This would leave Kohl as chancellor for his EU swan song.

Postponement of the summit is

out of the question: that could be interpreted as a signal that the Austrians expect Kohl to lose. The EU get-together is not the only international gathering that could be affected: there's an International Monetary Fund bash early in October, by which time it | we met, but now it's my fault."

who'll be calling the shots at the German finance ministry. The European Socialist party eaders' forum, scheduled for early October, might include representatives of centre-left governments in France, Germany and the UK for the first time since World War II. That might provide smoke-filled rooms . where Schröder, Jospin et al could hammer out a common EU

position away from the limelight.

might not be entirely clear just

Get the drift?

A hot air balloonist realises he is lost. He spots a man down below, reduces height and shouts: "Excuse me, can you tell me where I am?"

The man below says: "Yes, vou're in a basket under a hot air balloon, hovering 30 feet above this field." "You must work in information technology," says the balloonist.

"I do," replies the man. "How did you know?" "Well," says the balloonist, everything you have told me Is technically correct, but it's no use to anyone."

The man below says, "You must be a corporate manager." "I am," replies the balloonist. "but how did you know?" "Well", says the man, "you don't know where you are, or where you're going, but you expect me to help. You're in the

same position you were before

100 years ago An Eldorado In Canada it seems that Klondyke, whatever it may prove to the gold prospector, is turning out a veritable Eldorado to the Canadian Government, According to a letter from

Dawson City in the "Roseland Times", the Dominion Treasury is said to have received during the past 12 months from Yukon miners in royalties and other dues more than \$2,500,000, the amount being received from royalties alone being estimated at \$800,000. The cost of the mounted police in Dawson City and the salaries of the district officials, have been reported as \$40,000, so that there is a net profit of over \$2,000,000 to the credit of the Treasury.

50 years ago

Berlin Blockade Discussed Washington, August 31. The State Department said to-day that measures to lift the Berlin blockade would be discussed by the Military Governors in Berlin together with the currency problem. Mr. Michael McDermott, Press Officer, said that the military governors of the American, British, French and Russian zones would discuss "certain technical questions involved in the restoration of communications*

Executive Travel Magazine

Dow and out

The summer correction is beginning to feel like a rout. The Dow Jones Industrial Average fell well below 8,000 yesterday. giving up its entire gains of the year, as has the Nasdaq. Tokyo's Nikkei temporar-ily slipped below 14,000 last week and Germany's Dax slid back beneath 5,000 on

The proximate cause is a continuing stream of gloomy tidings. On the eve of President Clinton's visit to Moscow, the Russian Duma has rejected the appointment of Victor Chernomyrdin as prime minister. The news from Hong Kong is even worse. Not only did the stock market fall 7 per cent as soon as the government cut back on direct intervention. The authorities lost even more of their free market credentials by deciding to tinker with the futures trading rules. In Japan, the possible bail-out of Sakura bank was offset by more awful economic figures. And political risk has been ratcheted up another notch by North Korea test-firing a

With stocks still unappealing on fundamentals, markets have little to fall back yen. on except liquidity - long a source of support. But this seems to be drying up more rapidly than expected. Some institutions are clearly being forced to sell holdings at home to cover emerging market losses. But small investors may also be changing behaviour: the US personal savings rate shot up in July, while consumer spending showed the first monthly drop in two years. If this faithful army stops buying on the dips and starts selling on the rallies, shares may have a way

Currencies

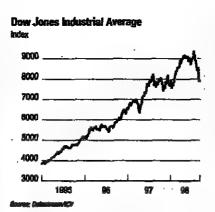
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What is up with the currency markets? For so long a byword for irrationality and excess, they have been remarkably calm during the current turmoil. This is not, of course, true of emerging markets or commodity currencies like Canada (see below). But the pillars of the system dollar, yen and D-Mark - have been rela-

This may seem surprising. After all, Germany's near-neighbour Russia is collapsing while Japan is in crisis. Surely the dollar should be stronger? There are three



currency, many countries are supporting their own pressured currencies by selling the greenback. Second, many speculative with cheap, borrowed yen. As asset prices have plunged, such traders are required to meet margin calls, forcing them to buy

Arguably bigger than both factors is the turn in Japanese capital flows. Japanese institutions are repatriating money to bolster their balance sheets. And even if Japanese markets look desperate, the incentive to invest abroad is hardly appetising

malaise is a recipe for one-way weakness. But the dollar has its weaknesses too such as proximity to Latin America, possibly the next emerging market conflagra-tion. Meanwhile, with Europe about to embark upon monetary union, the D-Mark is not the bastion it once was. The upshot of all this may be a continuance of the current stalemate, and possible further support for sterling and the Swiss franc recent beneficiaries of the safe-bayen tag.

Features

Arts .

fian Labor party leader Kim Beazley before a radio bro

Europe today

Pressure will remain strong over

northern Scandinavia, bringing mostly sunny skies, but it will not

showers are possible in southern

intervals, although there may be showers and thunderstorms over central France late in the day. Five-day forecast High pressure will remain almost stationary over northern

increasingly cold over the Baltic states and western Russia by the end of the week, but it will remain former hurricane Bonnie may bring some heavy rain to western Europ from Wednesday onwards.

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parts of Norway and Sweden. The Baltic states and the bulk of northern Europe will be fine and dry. France and the Iberian peninsula will be warm with surrry

rday on the first day of the country's election campaign. Page 4

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Sun Fair Shower Fair Fair Sun Fair Sun Shower Sun Flair)

Canadians usually resent their country being described as a quiet backyard. Right now they might welcome a little peace. Dragged into the slipstream of world turmoli, the Canadian dollar has fallen to a record low of 63 US cents despite a hike in interest rates. The Toronto stock that they will need to become a good deal exchange is below where it started not just this year - but 1997 too

CONTENTS

Companies & Finance

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Canada is no emerging market. It is running a federal budget surplus, inflation is minimal and the economy should grow 2 per cent in 1999. Yet right now investors are obsessed with commodity prices. With commodities making up 15-20 per cent of GDP, this year's sharp price cit has widened to an unhealthy 4 per cent of GDP, hitting the currency. How-ever, import growth is already declining

2 per cent - which should easily be plugged by foreign direct investment, Unfortunately, the country has yet to tackle more fundamental problems. Productivity is lower than in the US, due to higher taxes and a less flexible labour market. And a court ruling last week has put Quebec secession back on the agenda. This has been compounded by a clumsy central bank, which has lost credibility by first setting its face against rate hikes and then caving in. For investors, the combi-

as the economy slows. By next year, the

current account deficit should be back to

That BP Amoco has turned more cautious on emerging markets hardly seems surprising. But bang on. One of the main arguments for the merger was that as a arger company, with a stronger capital basa, BP Amoco could afford to take on bigger, riskier projects. And right now looks like a perfect time for bargain bunting, Long-term thinkers like GE Capital have been snapping up cheap Asian

Admittedly, much depends on the type of investment being talked about. Where BP Amoco is planning to expand capacity, such as a new chemical plant, it may indeed make sense to wait until local demand revives. But Sir John Browne, the group's chief executive, is also hinting that much past western investment in apparently high-growth emerging markets has been rather indiscriminate and now looks less than clever. BP, until recently criticised for its lack of exposure to those regions, is less guilty than most. But Sir John is signalling to local governments from Russia to China and Latin America, more open and welcoming if they want to start attracting western cash again.

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Japan's long-term market interest rates hit new low

Data suggest stimulus packages failing to invigorate economy

Japan's long-term market interest rates plunged to a new low yesterday as economic data suggested that the government's "stimulus packages" were failing to invigorate the

world's second largest economy.

Construction orders fell 143 per cent in July compared with the same period a year ago, the seventh con-secutive monthly fall, fuelling con-cerns that local governments are failing to implement Tokyo's plans to raise public spending. Retail sales in July were 3.7 per cent below the level of a year ago, while industrial production was down 9.3 per cent in

the same period.

The yield on the benchmark 10year government bond closed at 1.045 per cent in Tokyo markets, 25 basis points down on the day, the lowest in the world.

Analysts in Tokyo said the plunge partly reflected a global rally in bond markets. However, the Japagovernment bond swing was also fuelled by concern that the country's economy is falling deeper

into recession, despite a series of large stimulus packages. Housing starts were 11.3 per cent down on the year - the 19th consec-

utive monthly fall and the longest unbroken period of falls since records started in 1950. The decline in construction spend ing is particularly striking as the

government pledged in April it would boost the economy with Y8,000bn (\$57bn) additional public spending, most of which was expected to be focused on construction projects starting this summer. Some economists suspect that the

decline reflects timing and that orders will rise in the autumn. Tetsuro Sugiura, economist at Fujl Bank, said: "I think the projects will start later in the year, and so the economy will stop declining." However, there is growing alarm

in Tokyo that some local governments are refusing to implement the central government's spending plans implying that there will be little boost from the previously announced stimulus packages.

Local governments, expected to Japan's silect losers, Page 17

account for about 75 per cent of the stimulus spending, are heavily indebted and so increasingly relatant to put in place new projects. Brian Rose, economist at Warburg Dillon Read, said: "The money being

bust. The economic situation now Tracking the levels of public expenditure accurately is difficult in Japan because spending is split between local and national budgets

spent isn't living up to the budge

because the local governments and

and different public institutions, and statistics are only released after However, the data on contracted

public work orders shows that the cumulative total for spending between April and July fell 7 per cent in municipal areas, mes year on year. Although the national total rose 1.2 per cent, this left the overall total lower than the previous

Toshiba and Carrier in global air-conditioning sector alliance

By Alexandri Harrey in Tokyo and Mikki Taft in Chicago

Carrier of the US, the world's largest tha of Japan have formed a series of joint production and marketing ventures in Europe and Asia, to consolidate their positions in the airconditioning sector.

The deal continues a trend among some large US companies to seize the opportunity provided by the troubled economic conditions in Japan and south-east Asia to improve their penetration of these

Carrier, part of United Technolo des, the diversified US manufacturing group, said it viewed the deal as "very significant in the long-term". "UT is in Asia for the long-run," it said. Carrier has about eight other joint ventures in Asia.

For Toshiba, the move is the latest attempt to improve profitability in be called Toshiba Carrier. This will global air-conditioner sales after an alling household electronics divibe made up of Toshiba's Japanese 2000.

deal with Sichuan Changhong Riectronics, the leading Chinese electronics group, to share technology and manufacture energy-efficient home air-conditioners.

Taizo Nishimuro, Toshiba president, said: "The tie-up with Carrier we are announcing today is the first big step to realising Toshiba's reformation by forming a global alliance with one of the world's first-rate companies. With this agreement, we hope to achieve a fundamental revision of our household electronics division and develop our sirconditioning business globally."

Toshiba's air-conditioning division

has not made a profit for two years and reported sales of about \$1.1bn last year, compared with about

Toshiba wili take a 60 per cent stake and Carrier a 40 per cent stake

er's existing Japanese subsidiary, worth approximately Y72.4bn (\$517m). The company will begin operations in April 1999. The two groups are still in talks about the amount of investment from each side, as well as the selection of a

president for the new company. tures in the UK, Thailand and Mai-

In addition, the arrangements will consolidate the groups' heating, vec. r.: tilation, and air-conditioning F: operations in Singapore, Hong Kong, France and Germany. Toshiba said it would transfer

2.200 employees from its air-conditioning division, which employs 2,700 workers, to the new company. Toshiba said the two companies is

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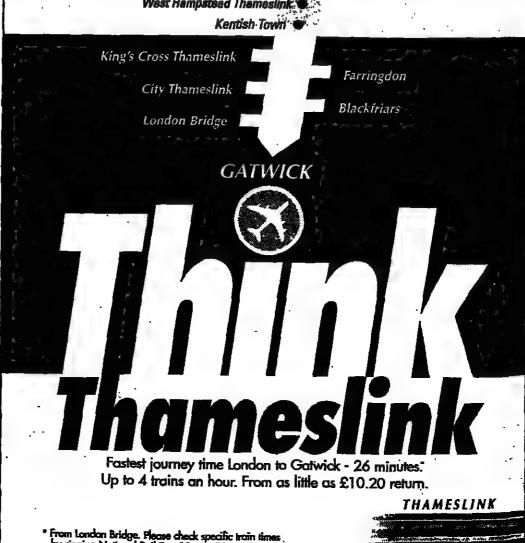
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FINANCIAL TIMES

COMPANIES & MARKETS

TUESDAY SEPTEMBER 1 1998



INSIDE

Western institutions express interest in Romanian banks

Romania's effort to privatise two state-owned Arnro, and GE Capital of the US. However,



Investments, the New ahead with sweeping restructuring plans being promoted by Sir Roger Douglas (left), executive chairman. The plans had been

shareholder. Camerlin called last week for a shareholders' meeting to dismiss Sir Roger after Brierley failed to sell its 46 per cent stake in

Dollar a casualty of market turmoli At a time of global economic panic, investors are selling the currency usually considered the world's safest. The dollar has fallen against the D-Mark and yen even though the US economy is growing strongly. Page 29

French nuclear group branches out French group Framatome's announcement last week that it was poised to acquire US-based Berg Electronics raises the possibility that it could soon derive more turnover from connec-

cent rise in interim earnings to FI 365m (\$182m). The company predicted the same rate of growth in the current half. Page 22

One barometer of the flight to quality over the past fortnight has been the movement in swap spreads in currency markets. Led by the US dollar and sterling, spreads in the swap market between fixed-rate and floating-rate paper have widened to eight-year highs. Page 28

IPMA hits at withholding tax plan A European Union proposal to impose withholding tax on interest income will cause disruption to capital markets and drive business outside the EU, according to the International Primary Market Association, which represents underwriters of debt and equity securities. Page 28

Stock buy-back plan lifts Viacom Viacom shares rose yesterday after the US entertainment group announced plans to buy

banks has drawn 10 expressions of interest from international financial institutions, including Société Générale of France, Dutch bank ABN bankers in Bucharest sald the government's price expectations for the banks remained unrealistically high. Page 22

Brierley board backs Douglas plan



Zealand group, decided last night to forge opposed by Malaysianbased Camerlin Group, the company's biggest

Thistle Hotels of the UK. Page 22.

tors than from its nuclear business. Page 20

TNT Post beats interim forecasts TNT Post Group, the Dutch mail and courier company, exceeded forecasts with an 18 per

Swap spreads show flight to quality

back up to \$1.75bn of its own stock, which has fallen 20 per cent in the past month. Page 22

COMPANI	IES I	N THIS ISS	UI
Alcatel	20	Kia	
Amoco	19	Krupp-Hossch	
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BMW	3	Microsoft	
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Chrysler	19	Sydkraft	2
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MARKET STATISTICS

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Band tubures and cotions Bond prices and yields DATE CONTRACT OFFE Euro prices Fumband orices Faund Interest Indices FT/SAP-A World indices

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33 World stock merkets

country, the world's fifth largest car producer and the biggest car market in Asia after Japan. But the Korean producers have weak finances, with high debt burdens, poor cashflow and bad credit ratings. It

is uncertain how any of them could finance a Kia takeover. There are also doubts whether Korea can support three carmakers when factory production has fallen to 40 per cent and a full recovery in domestic car sales is not expec-

Daimler-Benz in components shake-up

Surprise creation of powertrain business is step in improving transparency Daimler-Benz, the world's higgest commercial vehicles

maker, will today announce the first step in what could be a radical restructuring of its components activities to raise productivity and boost profits. At the Hanover truck show, the German company will reveal the creation of a new powertrain business combinng its engine, gearbox, axle and steering manufacturing activities for commercial

mated debt of Won13,000

(\$9.7bn), which creditor banks

Ford and Hyundai were also

disqualified because they

failed to bid the minimum

"reserve" price of Won1.100bn

for Kla and its truck division,

Asia Motors, which posted a

total net loss of more than

Won6,000bn in the first half.

Samsung made the highest

The auction ended in contro

versy as creditor banks asked

Samsung and Daewoo to

resubmit bids withdrawing

their demand for debt write

offs, but they refused. Ford

and Hyundai accused the cred-

itor banks of unfairly interven-

over Kia because of its financial strength, management

expertise and technical capa-

for new bids.

dence in Kores.

market competition.

"Korea is going to be critic-

ised for keeping its market

closed and the outcome of the

auction will disappoint those

who expected reforms. The

said Henry Morris of the Seoul-

uncertain. You Chong-yul, the

court-appointed administrator

of Kia, said another auction

could be held within a month,

but doubts over its fairness

and transparency are likely to

instead include Kia in asset

swaps among the leading con-

glomerates, or chaebol, which

it is promoting in an effort to

One proposal is that Hyun-

dai and Daewoo, the two larg-

est carmakers, should absorb

Kia along with Samsung

Motors, the newest and small-

est carmaker. However, Sam-

sung is keen to take over Kia

and merge it with Samsung

Motors to stay in the car busi-

The three domestic car-

makers competed for Kia in an

effort to keep Ford out of the

rationalise industry.

government might

vested interests have won,

based consultancy IRC. The future of Kia remains

bid, followed by Daewoo.

The move is believed to have been planned for some time,

but to have been postponed to door to the possible sale or flo- either US manufacturer as it and serve two purposes. It let Daimler-Benz executives concentrate on their takeover of Chrysler of the US.

Postponment also avoided any risk of unrest among the group's German workers before decisive meetings of Daimler-Benz and Chrysler shareholders to approve the deal on September 18.

Daimler-Benz's surprise declsion marks a further important step in improving transparency in its manufacturing operation. It also opens the far less radical than that of

tation of the powertrain unit.

General Motors and Ford have already restructured their components activities into separate subsidiaries as a precursor to flotation. GM plans to float 15-20 per cent of its Delphi parts division early next year. Ford has not revealed its plans but is believed to have similar ambitions for Visteon, its compo-

nents subsidiary. Daimler-Benz's decision is

only involves parts for com-mercial vehicles, not cars. Nor internally-made components is the German group believed to have any plans to float or sell its powertrain operations

in the near future.

Nevertheless, the step will be seen as a further example of the greater transparency being demanded across Daimler-Benz's operations by Jürgen Schrempp, chairman.

Creating a new unit will raise the profile of Daimler-Benz's powertrain activities

grated van and truck manufacnents bought in.

The re-organisation will also maintain pressure on the group's German employees to continue improving productivity. The new powertrain unit

on new vehicles. Although

Daimler-Benz is widely

believed to be one of the

world's most vertically inte-

tories in high cost Germany. Although Daimler-Benz expects to build about 480,000 vans and trucks this year, profits in commercial vehicles have traditionally been depressed by chronic losses in its German manufacturing operations.

Although Daimler-Benz has turers, many of its vehicles achieved considerable savings with the Actros and Atego, its new German-built heavy and medium trucks, executives are keen to ensure workers remain improving productivityto remain competitive.

S Korea expected to confirm collapse of Kia auction By John Burton in Semi The auction of the bankrupt Kia motor group, South Korea's third largest carmaker, appeared yesterday to have collapsed amid allegations of favouritism. A formal announcement to cancel the auction is expected today. All four bidders - Ford Motor of the US and Korean carmakers Hyundai, Daewoo and Samsung - demanded a greater write-off of Kia's esti-

Texaco and Shell may broaden link

Texaco's shares rose in New York after Royal Dutch/Shell said it was talking to the US oil group about potential co-operation.

ing in the auction when they Shell and Texaco, which have asked Samsung and Daewoo refining and marketing joint ven-The aborted auction is likely tures in the US, are said to have to delay restructuring in been discussing the possibility of Korea's bloated car industry similar arrangements in Europe. and undermine foreign confi-Even though the Anglo-Dutch group confirmed it was in talks Ford was considered the with "various parties, of which strongest candidate for taking Texaco is one", Texaco described

rumours as "wild speculation". The US company's shares were up 14 at \$584, while the American Depositary Receipts of Shell Transport & Trading were

up ¥ at \$32 g. Since the BP Amoco deal there has been a stream of specutation that other big oil compa nies might feel obliged to consider full mergers rather than more limited forms of co-opera-

Relaxed BP chief gets to grips with details of Amoco deal More than a few questions remain over implementation of the world's

biggest industrial merger. Robert Corzine talks to Sir John Browne

break. Last week Sir John Browne, the chief architect of the world's biggest industrial merger between British Petroleum and Amoco of the US, escaped to an admittedly "pricey" resort on the Adriatic Sea for a break from the relentless schodole he has maintained since the announcement of the deal three weeks ago.

Sitting barefoot by the hotel pool and dressed in shorts and T-shirt, Sir John admitted that the past few weeks had been

Like other senior BP axecutives, he has been serving as a transatlantic "Inca runner", taking directly to big shareholders the message of why BP's effective takeover of Amoco is best for the future of both companies.

remain relatively positive BP Amoco." pored over the details of the strategic fit between the two companies, attention is now shifting to how Sir John and his key lieutenants, such as Rodney Chase, BP's deputy chief executive, will implement the merger at a time of great uncertainty in world stock markets.

Perhaps it was the halcyon setting, but late last week Sir John appeared wholly relaxed about the impact of volatile stock markets (and share prices) on the deal: "Everything simply moves in proportion," he said.

But more than a few questions remain over the deal's implementation. One concerns

high US salaries paid to senior will close the deal and deliver Amoco executives and their more modestly paid UK counterparts. Sir John describes such concerns as "a storm without a wind". He says the pay issue is one

that the compensation committee "will have to think through very hard", and he is reluctant to prescribe a preferred course of action. Although there may be some adjustment on the UK side. Sir John says it is likely that salaries will be paid in accordance with the country in which an individual execu-

al's pay is in line with national DEPTO: But will his own compensation package rise to US levels? Sir John said simply: "I don't be used, he says. Given that most analysts want to do anything that hurts

tive will receive his or her pen-

sion. The main criterion will

then be whether an individu-

He also appears prepared for criticism about_potential job cuts, especially in the US, where most are likely to occur. The decision to close BP's American headquarters in Cleveland, Ohio, and move the combined US corporate centre to Amoco's Chicago base has already provoked sharp criticism from Ohio's governor.

Sir John is also aware of the danger during integration of BP's role as the dominant party in the deal. "We musn't create an atmo-

sphere of intimidation," he says. "Amoco is better at logistics and it is better at capital efficiency, while BP has better operating costs."

ven workaholics need a wide differentials between promises to shareholders: he \$2bn in initial cost savings. The first looks easily attainable, although the number of recent mega-mergers in the US is stretching the Securities and Exchange Commission.

Most analysts say the second promise also looks attainable. Many say they would not be surprised if Sir John announced new targets in the first year of the merger

Although the detailed planning for integration is only now taking place, Sir John has firm views on several issues. There will not be a widespread ata a new identity. Nor will there be a bonanza for management consultants keen to advise on integration. Only one outside consultancy will

Sir John is adamant that BP Amoco "will remain very much open for business

ing its integration phase. be talking to the chief executives of our big partners to tall them about RP Amoco." He says they should not fear the new group, as its preoccupa tion will be "to make the pie bigger" for all.

But does Sir John think others will follow his lead to greater consolidation? "I don't know if others will follow suit," he says. "It is unknowable." But it is clear that his relaxed attitude about the future comes not so much from his luxurious, sunny surroundings as from the knowledge that no one else can be

FTSE indices in The sale of Kia was considered an important test of Korea's commitment to attracting foreign investment. changes to reflect A takeover by Ford, already Kia's largest shareholder with a 16.9 per cent stake, would global economy have represented a significant opening of Korea's protected car market and proof that Seoul intended to promote

By Philip Coggan, Markets Editor

Substantial changes are being made to the FTSE family of stock market indices to create a consistent system for industrial sectors covering markets

The indices concerned include the FT/S&P World index, a benchmark for global investment management performance, the FTSE European series and the FTSE indices in

the UK. The changes, which will be introduced in January for UK and European indices and in the second quarter of 1999 for reflect the changing make-up of the global economy. They include the creation of an information technology eco-

nomic group. Thomas Tilse of Commerzbank, chairman of the new classification committee, said: There is a growing belief among international fund managers that, post-EMU, sector allocation will become more important than country allocation in achieving excess

refuriis. "The new classification system will allow investors and market participants greater flexibility in analysing industrial sectors on a global and pan-European basis."

The FTSE share indices are sub-divided into economic groups (such as basic industries or resources), sectors (such as chemicals or extractive industries) and sub-sectors (such as commodity chemicals or gold mining).

economic group will be divided into two sectors; computer hardware, and software and

Another change will see some economic groups divided into two. The general industrials group will be split into basic and general industries; and consumer goods and services will be split into cyclical and non-cyclical elements. As an example, beverages will be classed as a non-cyclical consumer sector, while automobiles will be cyclical.

A complete list of the new economic groups is: resources , basic industries, general industries, cyclical consumer the world, are designed to goods, non-cyclical consumer goods, cyclical services, noncyclical services, utilities. financials ,and information technology

There will also be some alterations at the sector level. The construction and building materials sectors will be lumped together as one, as will the insurance and life assurance sectors. The need to create classifica-

tions that apply across the global markets will mean the existence of some sectors that will have no constituents in some countries. FTSE International, which

manages the indices, said the changes followed consultation with investors worldwide and involved assistance from analysts at Goldman Sachs, the IIS investment bank Goldman is a co-owner of the world

FTSE International is jointly owned by the Financial Times and the London Stock The information technology

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Sakura Bank seeks Y300bn from partners

injection was designed to.

increase the bank's financial

deregulation: "We are con-

sidering a capital increase in

order to restore our credit

rating to at least a single A."

Analysis welcomed Sakur-

a's request as a sign that the

Mitsui *lociretsu* was still rela-

Sakura Bank, one of Japan's ing analyst at Merrill Lynch, from a peak of Y562 earlies largest, said yesterday it said: "I think that a lot of this year. However, yesterwould ask its business part- banks will be thinking of day's announcement lifted ners in the Mitsui ketretsu, doing the same thing, but Sakura's share price to Y248. or corporate family, for a Sakura is lucky to have the Y300bn (\$2.1bn) capital injec-strong Mitsui keiretsu. The tion to boost its financial critical question now is to undermine Sakura's strength.

sharp fall in the bank's confidence of the markets." share price and credit ratings in recent months. Key Sakura has grown in recent Mitsui companies include Toyota, the carmaker, and about Japan's banking sec-

Mitsui, the trading group.

whether this will be enough financial strength by reduc-The request follows a to let Sakura get back the ing the value of its equity The market pressure on weeks amid investor unease

fitsui, the trading group. tur. Its share price tumbled from speculative grade.
Yoshinobu Yamada, hank- to a low of Y220 last Friday. Akishige Okura, Sakura Meanwhile, the sharp fall in the Nikkei has threatened

> Moody's, the US credit rating agency, has downgraded tively cohesive. They also Sakura's debt from A3 to pointed out that the capital

president, said the capital for public funds.

increase the bank's financial to deal with its bad loans," alise their domestic strength ahead of Big Bang said Mr Yamada, who estiabout Y6000n of bad loans. Although the Y300bn capital Y280bn this year.

must also take radical related bad loans, with some injection showed Sakura was restructuring measures. Y400hn-worth sold to date.

ly David Dwell In Parks

Framatome

might shift

to connectors

Framconnect? A name, would be close to those of

group completes its work at produce an entity close in

the company that built all 58 1989, said Berg was a good fit

reactors in France's exten- in both product and geo-

change is probably not on. the nuclear division.

horizon. But

Framatome's announcement

ast week that it is polsed to

acquire US-based Berg Elec-

tronics raises the possibility

that the French company

could soon derive more turn-

over from connectors than

For a company created 40

years ago as Franco-Améri-

miques to develop French

expertise in nuclear reactors,

this is a landmark: It says

much about the problems

that have dogged nuclear

plant constructors since the

Three Mile Island and Cher-

Simply stated, once the

the Civaux site near Poitiers

in west central France, prob-

ably next year, it is unlikely

to secure more orders for

reactors in its domestic mar-

ket until the early years of

This is a sea-change for

nobyl accidents.

the next century.

from its traditional nuclear

businear.

being forced to tackle its James McGmnis, analyst a wose, rather than waiting Dresdner Kleinwort Benson said: "They have to with This should allow Sakura draw from overseas, ration-

mates the bank now has part of their loan book if they want to become viable." · Mr Okada said yesterday injection will not cover all of Sakura would shrink its these, Salcura expects to post operations drastically in the parent operating profits of US and Europe in the com ing years. The bank has Analysis stressed the bank been selling off property

Taken together, their sales

Berg and Framstonie Con-

nectors International have

entered an agreement under

which the French group

would acquire all onistand

ing Berg shares at \$35 a

share in cash. This repre-

sents an aggregate transaction value of \$1.85bn, includ-

ing . the assumption of

Dominique Vignon, chair

man, said the group would take on about FPrSon of debt

to help finance the deal.

"Currently, interest rates are

very low and it is worth-

The company said the

merger of numbers three

and four in the \$30bn world

connectors industry would

size to Molex, the number

two. AMP, the market

leader, is currently subject

to a \$9.8bn hostile bid from AlliedSignal, the diversified

Framatome, which entered

the connectors business in

graphical terms. It said the

US group was number two

worldwide for both telecoms:

data and printed circuit con-

nesses promises to lift the

proportion of Framatome

Connectors International

turnover derived in the US

from 35 to 41 per cent and in

The company, which last

year tried to buy the nuclear

however, likely to be muted.

According to Ulrich Ramm,

chief economist at Commerz-

bank in Frankfurt, Russia

accounts for only 2 per cent

of German exports. On the

other hand, Russia's nega-

manufacturer.

while to borrow," he said.

outstanding debt.

NEWS DIGEST

FRANCE

Alcatel chairman guits board of Aerospatiale

Serge Tchuruk, chaliman of Alcatel, the French felecommunications group, resigned yesterday from the board of Aerospatiale, the aerospace group, over a conflict of interest emerging from recent restructuring in the country's defence and satellite Industries. Alcatel said yesterday that Mr Tchuruk had left the post because a state-engineered merger between Aerospatiale and Matra, the defence arm of Lagardère, created a satellite venture in direct competition with a similar alliance between Alcatel and Thomson-CSF, the defence electronics group.

Aerospatiale, under an earlier proposed link-up with Alcatel, had signed an undertaking to limit any interests in satellites to a 25 per cent equity stake. However, the govemment in July announced its own plan to speed up consolidation in France's fragmented defence and aerospace sectors by merging the state-owned Aerospatiale with some of the operations of Lagardère, the quoted defence and publishing conglomerate. "It was quite obvious after this change that Mr Tchuruk could not be involved in both companies," Alcatel added.

Yesterday's announcement coincided with the rebranding of the former Alcatel Alsthom as simply Alcatel, under a restructuring started by Mr Tchuruk when he took the helm in 1995. Mark Multigan, Paris

SWEDEN.

Pricing, weather dull Sydkraft

Sydkraft; the Swedish nuclear and hydroelectric power : company, yesterday announced flat interim profits as tough price competition and mild weather held back sales. The company, which has been ordered by the government to decommission its oldest nuclear reactor at Barsetack in southern Sweden, reported underlying profits of SKr2.22bn (\$273m) in the period to June 30, compared with Stor2.21bn last time.

The results, achieved on sales up modestly from SKr7.59bn to SKr7.65bn, were undermined by an unusually mild winter and wet summer in the Nordic region. "The electricity market is marked by continued tough competition, which has depressed prices in the end customer market," the company added.

At the pre-tax level, profits fell from SKr3.96bn to SKr1.79bn - although the 1997 interim figures include one-off gains of SKr2.3bn following the sale of shares in Veba of Germany. Earnings per share, excluding such one-off items, rose from SKr5.78 to SKr6.3b.

SWITZERLAND

Wienerberger ahead in term

Mr Schaechi said the recent financial problems in Russia would not affect the group's target of increasing the profits of its core industrial activities by 20 per cent in 1998. The group's south-east Asian operations accounted for only 2 per cent of revenues. Poland and Croatia were a high pri-Group sales rose 9 per cent, to Sch7.9bn in the latest six

Tyson to take poultry charge

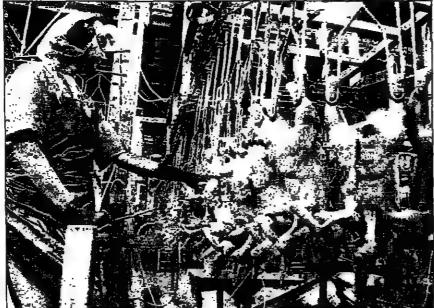
Tyson, the US food company that is the world's biggest producer of chicken and poultry-based products, is to take a \$43m charge in the fourth quarter of its 1997-98 financial year to cover the restructuring of its poultry operations, hit by the collapse in Asian demand.

It also said it would take a further \$53m charge, including \$30m to cover risks related to its export business to Asia and Russia.

The company announced broad plans for restructuring the operations in late July, and has already closed two poultry processing plants.

However, yesterday Tyson gave further details, saying other assets due for disposal or closure included feedmills, an office facility and some farms, it is also planning to divest or redeploy its seafood assets, which include fishing vessels.

The three-year benefit to



boost profits after tax by \$12m to \$15m annually.

upgrade and enlarge some of to facilities. cash-flow, including asset Tyson added that as part The company's problems A week ago, its Moscow sale proceeds, is put at of the restructuring pro-relating to the slump in office described the Russian \$130m, with the savings from gramme, it intended to Asian demand surfaced last export market as "very

recent Russian crisis. the restructuring expected to invest about \$21m to year, but it has also been important for the company.

"With the acquisition of we have completed the formdation of Chancellor's multi-

The deal was fairly priced, contributing immediately to adding about 10 cents 2

purchase of Martin Media limited to 12 stations, most tial radio or billboard inter

sive nuclear network it has also exported 11 reactors. But the only foreign power station it is currently constructing is a two-reactor nectors. Combining the busiplant at Ling Ao, southern

nuclear services has helped keep nuclear-related turnover reasonably high - last Asia from 12 to 17 per cent. year at FFT10.8bn (\$1.8bn) nectors business generated the US, is majority owned by turnover of FFr6.1bn, while public entities.

Wienerberger, the world's biggest brick-maker, increased its first-half operating profit by 25 per cent, to Sch1.1bn (\$754m). Erhard Schaschl, chief executive, said the increase came in spite of a "tense" situation in Germany, the group's biggest market, where brick prices fell by more than 50 per cent.

Wienerberger has cut its costs by 25 per cent in the past four years in Germany and has been picking up capacity from some of its competitors forced into bank-ruptcy. In the first half of 1998 Wienerberger acquired 12 brick and pipe plants, taking its network to 160 plants in

Chancellor Media in \$930m buy

Chancellor Media, the acquisitive radio, television and billboard group, has that will allow them to completed its strategic huving spree with a \$330m deal to take over Whiteco, the largest privately held outdoor advertising company in

on acquisitions in the past transaction in which it few months, Chancellor, absorbed Capstar, another founded and controlled by Hicks, Muse company. be made to fill any gaps in

and billboard services, Chancellor has set out to provide advertisers with one-stop shopping services bombard regional and local markets with targeted campaigns. Chancellor established

By integrating radio, TV

After spending about \$50n with last week's \$4.1bn It moved into television a

paid \$1.6bn for Lin Televi- Wim. sion, following the \$1.5bn

this summer, which marked are based in areas where the its entry into outdoor advergroup already owns substan-The addition of Whiteco

adds 21,000 billboard and other "faces" to the 14,000 the Whiteco Outdoor assets. already owned, and makes Chancellor one of the top five companies in the sector media national platform. itself as the largest US radio on the basis of aggregate broadcaster, overtaking CBS, annual revenues of about

markets, it is already by far 1999's projected billboard the biggest radio company in cashflow, and would start the US and claims an

Although TV assets are

said Jeffrey Marcus, chief With 465 stations in 105 he claimed, at 12.4 times

share. Mr Marcus said.

Europe looks to Germany to provide shield from emerging markets fall-out

A sussia's crisis rages to Europe's east and the violent aftershocks of man companies faced some try. BMW, Mercedes-Bens, panies have production sites undergone little structural ness has been calling for. conductor business which is Asia's recent financial hurriof the highest labour costs in The impact of turbulence in Russia on Germany is,

pects for Europe's growth wage costs by shifting proseem under threat. corporate Germany, as unions at home to accept underlined by the recent more flexible working praccrop of buoyant corporate tices. profits, raises the hope that Europe's largest economy

will be an engine of growth

that brings stability during this troubled period. German business is in better shape than it was just three or four years ago. Corporate Germany has unleashed a revolution which has transformed its a period when the D-Mark competitiveness and is being rewarded now with strong

The revolution was triggered by the fact that Ger-

world's economies, the pros- have cut jobs and tackled duction to lower-cost loca-But the rejuvenation of tions abroad and by forcing

> Daimler-Benz have sold noncore husinesses which were weighing heavily on profits. Innovations at others, such as car group Volkswagen, have resulted in world-beat-

ing new products. This improvement in con petitiveness - coupled with has been relatively weak has resulted in an export-led boom for German industry. especially in the car sector,

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HVFL

HVDL

VW and Porsche are all cane continue to shake the the world. In response, they thriving. Lufthansa, the national airline, last week reported that first-half profits doubled thanks to cost cuts and a boom in international air passenger growth.

There are also signs that

the stagnation of domestic growth has lifted: consumer demand is picking up and fixed investment is growing According to Hans-Günther Vieweg, economist at the lie lastitute in Munich, this spells good news for the rest of Europe. "German industry will be an agent for growth in Europe because German companies have strong linkages to other European states," he says. "Other countries have product. suppliers for German indus-

in countries like Spain, France, the UK."

While these developments have put German industry

on a better footing, they may not be sufficient for it to become the engine of growth that Europe needs. Although

'If Asia's troubles continue, then Germany is going to be affected. Countries that supply the world with . capital goods will be in trouble!

manufacturing industry has been transformed, this sector accounts for only about a third of gross domestic

Other big sectors such as the country's biggest indus- try and the big German com- retailing and building have reforms German busi-

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change and continue to stagnate, as illustrated by the poor results of retailers such as Metro and building concerns such as Holzmann. Although manufacturing Ompanies have cut labour

costs, = non-wage labour

industry. They have not been tackled, mainly

because of delay by poli-

radical tax and pension

tive effect could be greater if it destabilises the economies of eastern Europe to which Germany has greater expo-

Asia's influence on Germany is far greater. According to Mr Ramm, Asia, including Japan, accounts for about 13 per cent of German exports. Already companies have shown some algus of distress - Siemens, the country's biggest electronics company, has issued

of the damping effects on world economic growth. According to Norbert Wal-

months. William Hell, Zurich

ter, Deutsche Bank chief economist, Germany is espeproblems because of the then Germany will be affected. Those countries that supply the world with capital goods are going to be in trouble," he said.

So far, however, the impact of Asia's crisis on world economic growth has been relatively muted. But this is not because of the

economy. Rather, argues Mr Ramm, the crucial reason is lossmaking because of the relatively strong expanundercutting by Asian sion of the US economy. "We exporters. Even SAP, the are in an upswing in Gerbusiness software group, has many, but it is too weak to warned of a slowdown in its have an important influence still rapid expansion because on Europe overall. It is because the US has avoided the effects of Asia that they have not been felt so desply here," he said.

Corporate Germany has cially vulnerable to Asia's restructured and is once again profitable. It is now nature of its industry. "If likely to lead an economic Asia's troubles continue, recovery in continental Europe (the UK, in a differto be beginning a downturn). But Europe may need to look to the US as the ultimate engine of growth, and pressure from Asia and Russia, then Europe could stum-

Bayerische Hypotheken- und Wechsel-Bank Al and Ba "Hypo Vereinsbunk"

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Interest Rate Sales DEALING CODES Spot Foreign Exchange Derivatives/Forwards

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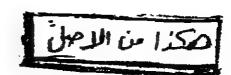
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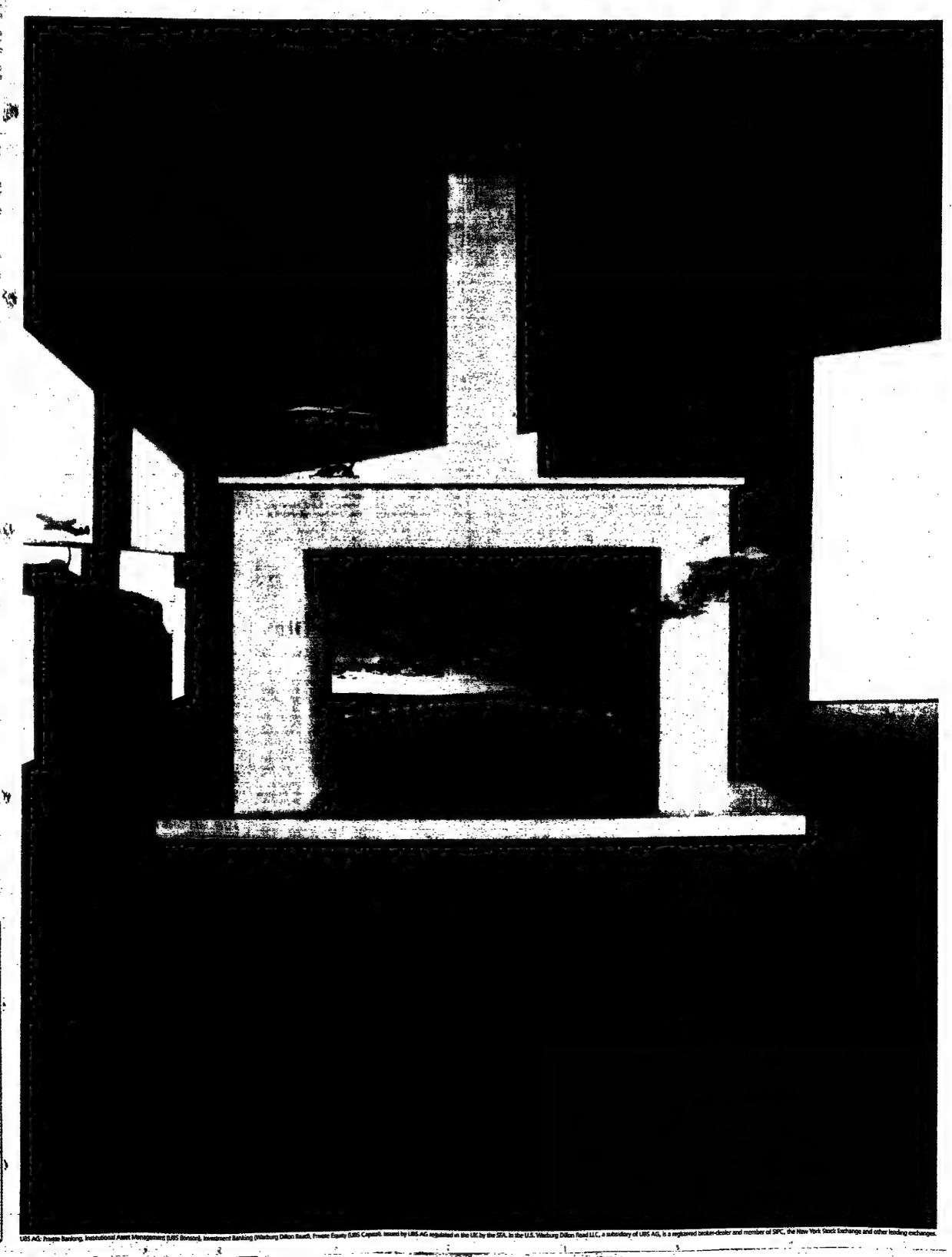
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Construction alread in term

iskets fall-out

Well, why not? Why can't things be different? After all, nothing new could ever be created if someone didn't think of it first, and dreaming up those possibilities is every bit as fascinating as where they lead. If you expect your banker to look beyond the obvious, perhaps you should talk to us. You'll discover that we're not just any bank, but the right bank for you. UBS



COMPANIES & FINANCE: INTERNATIONAL

PRIVATISATION SOCIETE GENERALE, ABN AMRO AND GE CAPITAL EXPRESS INTEREST IN SELL-OFF

Foreign bidders line up for Romanian banks

Stefan Wagstyl in Bucharest

Romania's effort to privatise drawn 10 expressions of Netherlands, and GE Capital, the financial services

stake in the Romanian east European markets. Development Bank, the interest from international have lodged offers for a 35 ing Société Générale of a small bank with a large the post office.

Six bidders have submit- troubled privatisation pro-

ted non-binding letters of gramme, could still be upset have submitted letters of

Bankers in Bucharest said in a month's time. two state-owned banks have country's fourth biggest the government's price commercial bank, and four expectations for both banks financial institutions, includ- per cent stake in Banc Post, high. Officials have suggested valuing RDB at up France, ABN Amro from the branch network linked to to \$500m and Banc Post at this year's budget. The priup to \$200m. Some western However, the much banks said these figures the World Bank and the arm of General Electric of delayed auction, seen as a were about double the true the US.

Were about double the true international Monetary walue of two institutions.

Fund as conditions for new Several of the banks which

deadlines for firm offers are

The financially strapped Romanian government is remained unrealistically determined to secure the receipts from the sales by the year-end, for inclusion in vatisations are also seen by loans to Romania.

The difficulty of attracting intent to buy a 51 per cent by the continuing turmoil in intent might not bid. The investors to Romania was KPN, the Dutch telecommunications utility, pulled out Italy, GE Capital, France's of the race to buy a stake in BNP, Société Générale, and Rom Telecom, the stateowned enterprise.

If Telecom Italia, KPN's Post include Bank Austria consortium partner, also and Creditanstalt of Austria. withdraws, Romania will be left with only one bidder -OTE of Greece, which is expected to bid with SBC Communications of the US.

stood to be interested in the Commerciale Italiana of KBC from Belgium.

The four bidders for Banc Romanian officials had hoped that Citibank of the US, one of the most active foreign banks in the country. would be among the bidders.

TNT Post Group tops forecast at halfway

TNT Post Group, the Dutch mail and courier services company which gained a listing two months ago, exceeded its forecasts with an 18 per cent rise in interim earnings and predicted similar growth for the second

TPG - spun off from KPN, the privatised telecoms utility - recorded net profits of Fl 365m (\$182m) compared with Fl 310m in the first half of 1997. It had projected a TPG's F17.95bn revenues. It rise of 10-15 per cent.

71 cents, reflecting a differ- deliveries of components. ent treatment of reorganisation costs. The group is auto- ing Flat in Italy, Poland mating domestic postal and Brazil, and Toyota in deliveries and has rational- the US. ised its express services side since the 1996 takeover of involved initial expenses. TNT, the Australian parcels said Mr Scheepbouwer, mar-

TPG's new European hub in Liège, Belgium, made it "the quickest and most efficient". The group has closed a Ger-

man facility in Cologne. "in express as well as logistics we are actively looking at a number of acquisitions," he said, adding that deals could be reached this year or next

The logistics division, the smallest but fastest-growing, accounts for Fi 1.11bn of saw sales growth of 20.9 per Earnings per share were 77 cent compared with 8 per cents against 65 cents. How- cent across the group as conever, under US accounting tracts were struck with large practices, they were flat at manufacturers, mainly for Recent deals include serv-

> Although new contracts gins had broadly been main-

cent at F172m. The groupwide increase was 8.7 per cent to Fi team. Capital spending was

devoted largely to the

express operations, which absorbed Fl 300m. Another FI 105m went into mail, and the company said the year's total would be well above the 1997 level of Fl 554m. It has ordered 14 Airbus A300 freighters to replace older Boeing 727s in a year's time. The fall in Asian currencles wiped out the effects of volume growth in the region, leaving express activities outside Europe with a 5 per cent decline in revenues to F1648m. In Russia, the slide in the rouble meant "busi-

tom line, he added. The group announced a 30 cent interim dividend. The shares closed down Fi 1.9 at Ad Scheepbouwer, chair- tained. Operating income at Fl 41.8 in Amsterdam.

ness could be halved right

away", Mr Scheepbouwer

said. This would have no

noticeable impact on the bot-



Boards. The scheduled production volume will initially be 5,000-10,000 Skoda Felicias a year but the plant can produce up to 35,000 units from the year 2008. Volkswapen said its target market was the former Yugoslavia and southern (Europe. It will create 1,200 new jobs at the plant by 2001. The Gern company is seeking to expand the assembly operations of Skoda, the Czech cermaker which has been under Volkswagen's control since 1991, and is carrying out feesibility studies for projects in Russia, India and Egypt. Volkswagen's operations in Serajevo were interrupted by the war in 1982. From 1972 to 1992 the company produced more than 400,000 vehicles through a joint venture with

Brierley agrees structure plans

Sy Terry Itali in Wellington

investments decided last Roger Douglas, executive

The plans had been opposed by Malaysian-based Camerlin Group, the company's biggest shareholder. Camerlin's chairman, Quek Leng Chan, called last week for a full shareholders

meeting to dismiss Sir Roger after Brierley failed to sell its 46 per cent stake in Thistle Hotels of the UK. Camerlin, which had backed Sir Roger in the April come that led to the

departure of the former chairman, Bob Matthew, and chief executive, Paul Collins, argued this weekend that a more commercial focus was reinsurance activities of needed to improve share. Winterthur. The move Since the coup Brierley

shares have slipped from NZ\$1 to less than 70 cents. Camerlin paid \$NZ1.40 a share for its 20 per cent

Before yesterday's meeting of having the votes to or change his policies, although there were questions over the way the company founder. Sir Ron Brierley, or the director representing the Singapore government might vote.

A statement last night said Brierley directors had agreed to complete the strategic review being promoted by Sir Roger.

As a result. Camerlin had withdrawn its notice to call a shareholders' meeting to consider Sir Roger's future as a director.

The statement said Sir Roger would remain executive chairman to oversee the changes to the company and the appointment of a new chief executive. After that he is to step down as chairman. No timetable was given.

Last night's statement made no mention of the size of Brierley's dividend. Camerlin, which is reputedly under financial pressure. was demanding it be maintained at 9 cents a year, a level Sir Roger sald was too

Directors appear to have also given themselves another week to consider the financial results for the year to June 30.

This announcement. which should include the size of the final dividend. will now be made on Septem-

Astra reports Rp7,360bn interim loss

By Sander Thoenes in Jakarta

Astra International, Indo- an exchange rate of Rp14,900 nesia's biggest car producer, to the US dollar, compared yesterday responded to a first-half loss of Rp7,360bn ises to lift exports, divest collapsed. Astra will produce

night to force ahead with the Indonesian market during the reporting period. sweeping restructuring through its joint ventures. The company has doubled plans being promoted by Sir | with Toyota, Dalhatsu and its prices in recent months. isuzu of Japan, said some

interim stage. The balance sheet this year was drawn at with Rp2,450 a year before.

The latest setback follows (\$657m), which it blamed on the suspension of production its foreign debt, with prom- earlier this year when sales shares to its partners and only 1,000 cars in September, but said sales revenues fell Astra, which dominates only 6 per cent to Rp7,190bn

units. Indonesian car pro- cent. Last year Astra reported a ducers say they have often

rupiah dropped faster than they could adjust prices. Component exports were

months, but the company did not say from what level. Astra said it would adapt production lines such as plastic injection, casting, ferrocasting and moulding to make exportable products. The company expected to make \$90m on the sale of its

Microtonics Technology unit, which produces semi-Unit sales fell 78.46 per conductors. Astra has an Sekura Merchant Rank - as Rp7,000bn of its loss cent, with sales of Astra's 85.3 per cent stake in Micro- advisers for a debt restruct- from 396,000 last year. reflected foreign-exchange Honda motorcycles dropping tonics, while Astra Graphia, losses on its \$1bn foreign 63.14 per cent to 151.556 an affiliate, holds 14.7 per

The group also said it had

partners to increase their unless the rupiah strengthstake in production joint ened. The currency has ventures. However, Toyota, sharply appreciated in up 60 per cent in the first six the largest investor and the manufacturer of the popular Kijang family van, indicated dollar, but car producers and earlier this month it had no analysts say it is still well plans to raise its sharehold- above any rate at which ing. Other partners are Dai- companies such as Astra hatsu, Isuzu, BMW, Peugeot, Nissan and Honda

Meanwhile, Astra has creditors - Chase Manhattan, Sumitomo Bank and uring agreement.

Rini Soewandi, Astra's new president, said earlier this year that the company profit of Rp439bn at the been selling at a loss as the invited Toyota and other would not survive into 1999 shut down.

to about Rp11,000 to the US could resume profitable domestic sales.

Herman Latif, chairman of automotive industries. esia to drop to 50,000 in 1998

Worst hit are component producers, which saw orders collapse and, according to Mr Latif. many have already

PartnerRe doubled by Winterthur buy

PartnerRe, the fast-growing Bermuda-based reinsurer. will more than double the size of its business with the \$750m acquisition of the strengthens its role as the main challenger to the big four reinsurers which have traditionally dominated the global reinsurance industry.

The deal is PartnerRe's second big acquisition in the past 18 months. in March Sir Roger appeared confident 1997, it paid \$950m for away insurance operation didate itself, but Herbert Société Anonyme Française de Réassurance, a European

FBDC to issue

premiums of about \$700m. in the first six months of net income by 22 per cent, to net premiums by 160 per cent to \$438m. Following the

latest acquisition. Part-

nerRe's workforce will rise

to more than 600, compared with 30 two years ago, industry has been undergoing rapid consolidation over the past year. In June, Warren Buffett's Berkshire Hathpaid \$22bn for General Re. Haag, 51, a former Swiss Re is expected to raise a further

Swiss Re, which helped to found PartnerRe and retains 1998. PartnerRe increased its a 22 per cent stake, paid \$1.8bn for Life Re. a fast-\$147.7m, and increased its growing US life reinsurer. PartnerRe, set up five

years ago to specialise in natural catastrophe reinsurance, has begun to diversify into more general reinsur- year. ance and compete more The global reinsurance directly with the big four global reinsurers led by Swiss Re.

PartnerRe has often been rumoured as a takeover can-

stock market flotation, says he intends to build his company into a credible alternative to the global reinsurers in every market.

Winterthur's decision to SFr14.3bn (\$9.8bn) acquisition by Credit Suisse last Since then it has been

refocusing on its core direct insurance operations. In July it sold its 51 per cent insurer HIH Winterthur for SFr400m, and the latest deal

by October 1. Winterthur Re produced 1997, of which non-life premiums were \$582m and life premiums \$255m.

Total assets exceed \$3bn. Some 57 per cent of the business originates in the Americas, 36 per cent in Europe and 8 per cent in Asia.

Mr Haag said Winterthur and profitable business" and stake in the Australian its speciality orientation in non-life and life business complemented PartnerRe's underwriting teams and

Grolsch turns down bid 1bn pesos of debt approach by Interbrew

By Joseph Marrors and Tony Tassell in Manila

Fort Bonifacto Development. developer of Manila's largest property project, plans to issue 1bn pesos (\$22.6m) of short-term commercial debt to shore up its financial position and finance further

FBDC. a joint venture diture of 1.8bn pesos in 1988. between the Philippine government and a private-sector consortium led by Metro ables stood at 11.5bn pesos at Pacific, yesterday gained approval from Philippine Securities and Exchange Commission for the issue, which will be carried in two tranches of 500m pesos.

FBDC is converting part of a former military base into a Fort Bonifacio would be dis-214ha city outside Manila's financial district of Makati. situation to improve within lit has long argued it has been insulated from the collapse of the Philippine property market because of its

large cash position.

any defaults by developers involved in the project. Ronald Mayor, vice-presi dent for sales and marketing for FBDC, said many of the developers had been affected by the downturn in the property market. "All are feeling the brunt of the difficult

FBDC plans capital expenwith a further 15hn pesos for 1999. The group's receivthe end of last year, according to Colbert Nocom of ING Barings, with a cash position of 373m pesos.

Analysts said the debt issuance would ease short-term problems but appointed if it expected the

"In the medium term, as long as the economy doesn't pick up, Fort Bonifacto will be delayed significantly, and Although some of the you're not going to see this funds from the issue have great global city," said one been earmarked for develop- analyst. "But in the longer ment at the site, some will term. First Pacific is very and through brands such as also be used to compensate strongly committed to it." Oranjeboom already claims

By Sordon Cramin Interbrew of Belgium yesshare of its bid target. terday abandoned a longrumoured pursuit of Grolsch, after the Dutch producer of premium beers con-

approach but rejected the proposal in sharp terms. Directors of Groisch - in retreat from European expansion amid an earnings slide - said their view of the company's future was "irreconcilably divergent" with that of Interbrew. But they did not repeat past pledges that they would seek to

firmed it had received a bid

maintain its independence. and the shares jumped F17, or 15 per cent, to Fi 53.50. Neither would confirm reports that the Interbrew offer would have been F1 70 a share, valuing Grolsch at

some F! 1.2bn (\$599m). Interbrew, maker of Stella Artois and owner of Labatt in Canada, is Europe's largest brewer after Heineken. In global volume it is close to 10 times the size of Grolsch,

nearly 30 per cent of Dutch Troch, a Belgian who is a beer sales, twice the market Johnny Thijs, chief of Interbrew's operations in described the F1 300m invest-Europe, Asia and Africa, said: "I have a good com-

pany there, so it is not a After charges related to m. It was an opportunity." He said job losses envisaged in the bid proposal were not on the substantial scale suggested by Grolsch management, though he declined to spec-

The Dutch company gave this as a main reason for rejecting the offer. A plan announced by Grolsch in February involves shedding 150 of its 975 jobs by centralising production at a brewery to be built in Enschede. near the German border. Grolsch intends to shut its

supply the extra capacity.

former head of Interbrew's Dutch operations - but made no headway. He as "not sensible".

the closure, profits at Grolsch fell 59 per cent last year to F124.6m. The company gave up plans to estab-lish a network of plants across Europe, concentrating instead on distribution tieups with foreign partners. in the UK it is handled by Bass, mentioned by analysts yesterday along with Anheuser-Busch and South African Breweries as possi-

ble bidders. But Roel Gooskens, of HSBC Van Meer James Capel, argued that industry leaders would be wary of existing sites there and in joining battle with Heineken nearby Groenlo. While back- on its bome territory. Heining the Groenlo closure, the eken, which would face com-Belgian group wanted to petition problems, has previkeep the other plant open ously made clear its lack of and use its own facilities to interest. Like most Dutch companies, Groisch has ade-Mr Thijs met the Grolach quate defence mechanisms board - headed by Jacques against a hostile bid.

NEWS DIGEST

ENTERTAINMENT

Viacom announces \$1.75bn share buy-back

Viacom shares rose yesterday after the entertainment group announced plans to buy back up to \$1.75bn-worth of its own stock, which has fallen more than 20 per cent in

Although the company's market value is still about 80 per cent higher than a year ago, lifted by cinema suc-cesses and the recovery at its Blockbuster video rental chain, it has lost ground recently as fears of shrinking advertising spending have depressed the media and enter tainment sector.

Viacom's widely traded B-class shares had risen \$1% to \$55% by mid-morning as investors reviewed the possible reasons for optimism in the company's boardroom which they assumed lav behind the move.

Third-quarter income and revenues are likely to benefit from last night's release of the home video version of Titanic, the highest-grossing film on record. Paramount, Viacom's studio arm, owns US rights to the feature, which was made in a joint venture with 20th Century Fox, the News Corporation division which owns International rights. Viacom's reputation has been improved by recent strategic shifts including the sale of most of the Simon & Schuster publishing business to Pearson, publisher of Financial Times. Gross receipts of \$4.6bn will be used to reduce

group debt by more than half. Viacom said it would finance the buy-back from working capital Christopher Parkes, Los Angeles

TELECOMS

Bezeg returns to the black

Bezeq, Israel's state-controlled telecommunications com-party, returned to profit for the first half of the year after taking a Shk1bn (\$259m) charge for restructuring costs in 1997. Net profits totalled Shk342.3m, compared with a net loss of Shk423.6m last time. But revenues slipped from Shk4,59bn to Shk4,38bn following the dismantling a year ago of its monopoly on international telephone calls,

Analysts said Bezeq was in a strong position to improve net earnings, since provisions for expenses in the coming years would be significantly reduced after a restructuring programme which cut the workforce by 20 per cent. In addition, Bezeq has cash-flow of Shk2.5bn, which will allow it to enter lucrative markets in the telecoms sector.

The government holds a 60 per cent stake in Bezeq. Once options for bonds, warrants and convertible securities are exercised by 2001, its stake will be reduced to 54.6 per cent, although there are plans to sell 20 per cent of the company next year. Judy Dempsey, Jerusalem

BEVERAGES

Pepsi opposes Orangina deal

Pepai is stepping up afforts to dissuade the French covemment from sanctioning the FFrSon (\$840m) sale of Orangina to Coce-Cola, its US soft drinks rival.

In an interview in Le Monde, Charles Bouaziz, managing director of Pepsico France, said the company was ready to sign a deal giving Orangina 10-year renewable exclusive rights to produce and market all of Pepsi's drinks brands in France, except Tropicana fruit juice. He said this would lift the value of Orangina, enabling Pernod Ricard, its current owner, to think of a flotation. He acknowledged, how ever, that Pernod was unlikely to recoup the FFr5bn

alent of about 40 times Orangina's earnings. Pepsi already has an exclusive distribution agreement with Orangina for drinks consumed outside the home. Pernod announced the sale of the brand to Coca-Cola last December. A decision whether to permit the deal to proceed is expected from the government next month.

HOLDING COMPANY

Israel Corporation improves

The Israel Corporation, one of Israel's biggest holding companies, yesterday said capital gains from the sale of subsidiaries boosted net income to Shk152m (\$39m) in the

first half of the year, after net losses last year. However, the struggling conglomerate continued to be burdened by losses at Zim and Oit Refineries, its shipping and energy subsidiaries, although Zim's losses narrowed from Shk87m in the first six months of 1997 to Shk35.2m

Excluding one-off capital gains of Shk170m, group net osses were Shk18m in the first half, compared with Shk26m last yeer. Revenues fell 10 per cent from Shk1.76bn to Shk1.583bn. Avi Machils, Jerusalem

Bridgestone upbeat

Bridgestone, the Japanese tyremaker, reported Y46.7bn (\$326m) in net earnings on a consolidated basis for the first six months of the year in its maiden interim results

The group, which recorded Y1,090bn in tumover, confarmed its previous forecast that net profits for the full year would more than double, from Y39.2bn to Y100bn, it attributed the projected increase to a change in accounting procedures in 1997 which resulted in extraordinary losses from the write-off of goodwill incurred in its purchase of Firestone of the US.

Sales are expected to increase 2.7 per cent to Y2,230bn. "Domestic sales will continue to be weak. In our overseas markets, especially in the US and Europe, the economy is very healthy and so we can expect further

expansion in sales," Bridgestone sald. Analysts said the group could even exceed its current earnings estimates. Goldman Sechs said that the weak yen and a growing presence in the US would support strong growth in profits this year. Alexandra Harney, Tokyo

CHINA TELECOM

HK arm meets expectations

China Telecom (Hong Kong), the listed arm of China's main telecoms operator, yesterday reported a net profit of RMB3.47bn (\$420m) for the six months to June 30 in its first earnings announcement since listing in Hong Kong and New York last October.

The results, which were at the higher and of expectations, were boosted by an exceptional gain of RMB1.08bn from interest income. The company, which this year paid \$2.9bn to acquire one of the mainland's biggest cellular networks, said it would continue to explore opportunities to acquire high-quality mobile networks.

Acquisitions of mobile networks in China's wealthiest

provinces have fuelled growth to date. The company

boasts a total of 5.45m cellular subscribers, representing a 27 per cent growth over the 4,28m pro-forma combined number of subscribers at the end of 1997. -Earnings per share for the interim period came to RMB0.29. Louise Lucas, Hong Kong



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NEWS DIGITS!

BAL PROPERTY SEPTEMBER

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Ylacom announces 1.75bn share buy-back

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The

Ry John William, * Consumer Industries Editor

won a tactical advantage in the continuing soap war against arch-rival Procter & Gamble with the launch of its latest weapon - solid detergent tablets.

The Anglo-Dutch group's Lever Brothers subsidiary has taken almost 10 per cent of the UK market with Persil Tablets, launched four

tising blitz on television. The success of the new product means Persil has overtaken Procter's Ariel as the number one UK detergent brand - recapturing the lead it lost after the Persil Power fiasco in 1994. Then Lever Brothers was forced to withdraw a new formulation after its patented "accelera-

> colours faded. The US group remains

> weaken fabrics and leave

brands such as Daz, Bold and Fairy. But the launch of Tablets has taken the Lever Bros portfolio - which also includes Surf, Radion and Lux - back above 30 per cent. The balance is largely

held by retailers' own-label

detergents.

Unilever claims advantage in soap war

According to Iri Infoscan, the marketing information says John Ballington, corpotor" ingredient was found to group, Tablets took 9.4 per cent of UK detergent sales in the latest four-week period to July 31. One in seven

Gerry Martin picked up the

habit of opening new pubs from his brother Tim, the

driving force behind JD

Gerry, two years younger

than Tim at 41, left Wether-

spoon four years ago to

found The Old Monk Com-

pany, which is to be

The Old Monk Company

has grown from a single pub

to an estate of 18, based

mainly in London and south-

east England. Mr Martin.

who will retain 60 per cent of

the shares, is hoping to raise

£3m through a placing to speed up the expansion

"Realistically in 12 months

we will have 30 pubs, and

conservatively in three

years we will have 50". he

Mr Martin spent four years

working at Wetherspoon as

development manager

through the period of the flo-

tation and expansion from 18

on Aim this

floated

have made a repeat pur-

Lever Brothers says sales of Tablets have grown twice as fast as expected, reaching the company's six-month target after just three months. The response has been one of the most amazing for any of our product launches," rate and consumer affairs

director. This success has come partly at the expense of stanmulti-million pound adver- than 50 per cent of the UK households has tried the dard "big box" powders, but

Old Monk heading for Aim

Gerry Martin: 'realistically in 12 months we will have 30 pube

product and almost half mostly from concentrated concentrates, but use unitpowders. Lever Bros predicts Tablets will catch up with concentrated powders by early next year.

Concentrated powder has been in decline after peaking at around a third of the market, largely because consum-People tend to use more than the recommended amount - adding to the cost of a product that is already 50 per cent dearer per wash than standard powder.

dosing to reduce waste. Wrapped in pairs, two are added to a standard wash and cost about 25 per cent more than the correct amount of standard powder.

Since their UK debut. Tablets have been launched in ers see it as bad value. France, Spain, Greece, Portugal and Ireland. Procter & Gamble is test-marketing its own Ariel Discs in the Grimsby area and is expects to decide whether to go for a national launch later this

COMMENT

it home

Rights issues

110 .

100

One consequence of the stock market correction is that a JB couple of rights issues have been caught in the cross-fire. On Friday, JJB Sports' shares fell to 432p - just below the 440p offer price in a £112m rights issue closing today. If that is as far as they fall, the underwriters will be counting their lucky stars:

their loss would be capped at £2m, The underwriters of Torotrak, a high-tech engineering company, will be less happy. Only 3 per cent of its £50m rights issue was taken up and the shares have since

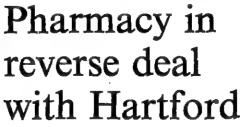
sunk 44 per cent, meaning those left with stock are sitting on a paper loss of over £20m. Still, shed no tears for the underwriters. These losses have come at an opportune time - just as the Monopolies and Mergers Commission is investigating whether they overcharge their corporate clients. Expect underwriters to argue that JJB and Torotrak show the business is not always

money for old rope.

George Trumbull, chief executive of Australia's AMP, is an ambitious man. Barely two months after he took the mutual insurance company public, he has launched a A\$8bn (£1.1bn) hostile bid for GIO, a fellow Australian insurer, and assembled a A\$12bn warchest for acquisitions elsewhere - especially the UK. All that follows the acquisition of Henderson. the UK fund manager, in March.

Is this hyperactivity the latest example of a newcomer being carried away by the freedom afforded by capital markets? Probably not. Consolidation is needed in Australia's and Britain's insurance industries – and AMP is well-positioned to participate in both. In the UK, it already owns Pearl Assurance, London Life, Henderson and AMP UK, and has a half share in Richard Branson's Virgin Direct. Acquiring another life assurer would offer an opportunity to strip

But what does Mr Trumbull have his eyes on? The latest rumour. Norwich Union, is almost certainly wrong. For a start, Norwich's £8.7bn market capitalisation is about 10 per cent more than AMP's, so an all-cash bid would be virtually impossible. Meanwhile, it would be tricky to make a hostile all paper offer, however much AMP's aggressive appetite may have been whetted by the GIO bid. Mr Trumbull may be ambitious but he probably has his sights on something



Aim in March via a placing chief executive of Hartford.

Pharmacy, the trendy Notting Hill restaurant talks with Bluelodge, owner designed and part-owned by of Pharmacy. artist Damien Hirst, is to be security products for doors including interest payments reversed into Hartford ning to sell its clothing busiand windows, is planning a of £4.26m and adjustments | Group, which is planning to ness for £750,000, is paying

business. The reverse takeover has been masterminded by Mich-shares worth \$3.6m as the ael Edleson, the Manchester initial consideration, with a United director who brought further £3.6m of shares to Sheffield United and Leices- follow if profits targets are ter City football clubs to the met for the year to June 18

stock market through 1999.

of 33.5m shares at 2p. The shares were suspended last month at 2.75p at the start of

Johnson L

Barriage Carrier

The group, which is planbuild a branded restaurant up to £7.2m (\$11.9m) for

Bluelodge in a paper deal. It will issue 644.6m new

Matthew Freud, chairman Hartford was floated on of Bluelodge, will become

Ingredients help Kerry rise 20% to I£38m

By John Marray Brown In Dublin

Kerry Group, the acquisitive ireland-based food company, lifted interim pre-tax profits nearly 20 per cent, underlining its continuing shift away from the commodity end of the market towards higher value added ingredients and consumer foods manufactur-

Pre-tax profits for the six months to June 30 increased from I£31.9m to I£38.1m (£32.2m) on turnover 24 per cent higher at IE778m

The ingredients division increased sales 12.9 per cent. while the consumer foods where Kerry is a big supplier of prepared foods in the UK saw sales up 13.3 per cent with operating profits up 18 per cent. Ingredients now account for more than half of group turnover.

charge of 122.2m in relation to the amortisation of the IE216.6m of goodwill arising from the company's acquisitions during the period.

The company spent 1£348m on acquisitions in the first half - the majority of which division in January. It said year.

formed Amey RailTec, which

will focus on rail technology.

executive, said that under-in-

vestment in the rail industry

Amey forms rail

technology company

"need to be overcome". He maintenance.

management specialist, has logical solution business".

yesterday it was planning to extend its range of ingredients in the South American

and Asia-Pacific markets. Sales from continuing businesses rose 12.6 per cent, although currency adjustment on its foreign based business accounted for 7-8 per cent of the increase.

Interest charges grew from IE13m to I£16.6m, as a result of the increased borrowings used to finance the various

The companies acquired during the current period contributed 9.5 per cent of turnover and 8.5 per cent of operating profits.

Operating margins improved from 7.2 per cent to 7.3 per cent reflecting better trading in ingredients and consumer foods markets. Sales from Ireland were broadly flat but sales and operating profits across its European and American Profits at Kerry included a markets showed strong growth. In the US, sales were up 15 per cent while operating profits rose 21 per

The dividend increases 15 per cent to 1.68p (1.46p) to be paid out of earnings per share before goodwill amorwas accounted for by the tisation of 18.2p, compared purchase of Dalgety's food with 18.4p in the previous

Mr Martin but also worked ambitions to go out on my for GrandMet's Chef & own", he said. He sold his Brussels clears **GEC** venture

By Samer lekender in Brussele

The European Commission sterday approved the non-Amey, the infrastructure added that the company was are part of a wider agree- products. maintenance and facilities formed to create a "technoment also covering defence It will draw together techand naval radar and missile

nology from other industries Brian Staples, group chief in the UK and overseas to However, under EU law. provide solutions to problems associated with rail notifying the Commission of US rivals present in the EU.

the military aspects of the deal because of "essential

Taylor Walker.

But I always harboured

The non-military activities of the venture include air osed joint venture between traffic control and manage-General Electric Company, ment systems, civil comof the UK, and Italy's Fin- mand, information systems, meccanica. These activities and simulation and training The Commission said that

businesses, including ground in the areas it examined, the combined market shares of the two companies remained low and that competition the UK and Italian govern- was strong from other EU rial. ments are exempted from companies, as well as from

Avocet to list with £70m tag

By Robert Wright

first pub.

Avocet Hardware, a profits were considerably Yorkshire-based maker of lower at £1.76m after full stock market listing in for goodwill and fair which it is aiming for a mar- value. ket capitalisation of at least

Wetherspoon shares to raise

£300,000 in order to buy the

He believes it is easy to

270m (\$115m). The company was formed SIG, the Sheffield-based added

"headline operating profits"

About half of Avocet's products are manufactured in south-east Asia. Plans for in March last year through a the float depended on mar-

management buy-out from ket conditions, the company Hawkpoint Partners has

pubs - but then the going

There is a long way to go to catch up Wetherspoon,

of £8.59m on sales of £75.1m

for 1997, although pre-tax

gets much tougher.

been appointed as sponsor to The company claims the issue, while Merrill Lynch is broker.



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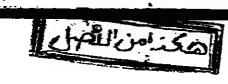
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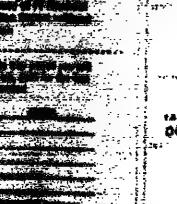
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MANAGEMENT

MANAGEMENT GLOBAL DEVELOPMENT

At home in the world village

An unassuming Swiss company has used tactics associated with high-profile multinationals to dominate its niche, says Peter Marsh

A leading prand manus, highly developed distribution channels, low-cost from interference. Other companies, such as those making portagingly of a successful consumer goods circuits to minimise "smog" company, set in the mould of a Coca-Cola or a Benetton.

In fact, they are precisely the ingredients used by Schaffner, an unassuming Swiss company, which has carved out the number one spot for itself in an expanding niche of the world electrical engineering business.

Schaffner, formerly part of Elektrowatt, the Swiss industrial conglomerate, was spun off in a management buy-out in 1996 and per cent a year. Schaffner gained listed on the Zurich stock its sales of SFr133m last year exchange in a public offering two

The company has a 20 per cent share of the SFr500m (\$330m) a year industry making specialist electrical filters that ·electrical screen out electromagnetic inter-

This is the invisible "smog" radiated by every type of electrical appliance, from toasters to telephones, which can wreak havoc with a range of computercontrolled equipment

Manufacturers in fields from power stations to mining equip. America accounts for 20 per cent.

development spread globally. ble computers, are increasingly These sound like the hallmarks required to install similar

> Aeroplanes' electronic systems have been known to have been "hijacked" by this kind of phenomenon, it may also explain the signalling equipment on trains sometimes breaking down or car airbags being deployed for no apparent reason.

This is why the world market for circuitry of this sort is reckoned to be growing by about \$ through selling specialist "black boxes" for screening or filtering electromagnetic radiation, plus associated test equipment, to a range of manufacturers around that the world.

Big customers include Otis, the US company that is the world's biggest lift manufacturer, the Royal Air Force and ABB, the Swiss-Swedish electrical engineering giant. Only 2 per cent of Schaffner's sales are in Switzerland, another 71 per cent in the rest of Europe, while North

Alex Oechslin, Schaffner's chief executive for the past 17 years, says the company sets out to exploit its global leadership by promoting its brand vigorously. Competition in this sector is tough, with dozens of small regionally based suppliers but few other global

players. Schaffner, says Mr Oechslin, is trying to act as a "one-stop shop" for customers. It emphasises the company's global approach and offers a mixture of consultancy and sales of customised and standard circuits to suit different

Crucial to this is the emphasis on a quick turnround between orders and despatch of products, increasingly needed to fit in with the shrunken development times of many products in the world of electronics and electri-

Sales staff are sometimes able to arrange for delivery of standard parts within a matter of days. If the component has to be designed from scratch then, inevitably, the process takes longer - possibly about three

Production economies arise from practically all the compa-

cost Thailand, which is where the 1980s, a highly important roughly half Schaffner's 1,200 factor in maintaining profitemployees work. The Thai plant ability. concentrates on standard or catalogue items and is supplemented Schaffner has gone about as far by production facilities in Swit- as anyone in setting up a zerland and Ireland for special or

customised circults. away from the high labour costs of Luterbach, in central Switzerland, where the company was set

The invisible 'smog' radiated by every type of electrical appliance can wreak

up in 1962. While the company's headquarters for engineering development, marketing and administration continue to be in Luterbach, Mr Oechslin says that telephone and data links with Thailand are sufficiently advanced to keep the different parts of the company in touch with each other,

With manufacturing spread out globally, Switzerland accounts for only 270 of the company's

As for product development, as anyone in setting up a "virtual" engineering centre.

The company's 60-strong team It was established in 1989 as a of development engineers is way of pushing manufacturing scattered around "satellite" centres close to customers in Europe, the US, China and Japan, with only 10 of them working from Luterbach

They can swap data and ideas electronically to ensure development groups in one region learn about new trends in electromagnetic screening elsewhere, and can come up with new solutions accordingly.

As recently as six years ago, almost all the company's then 30strong development engineering group was based in Switzerland, with less opportunity to pick up on new ideas globally.

Mr Oechslin says that the split

between manufacturing in southeast Asia and other functions spread around the world makes sense for a company such as Schaffner, whose success depends on keeping costs

"The world is increasingly resembling one big village and we want to make sure we remain





PEOPLE ON THE MOVE

Marram replaced by Rodkin at Tropicana

Ellen Marram, chief executive of Tropicana Products, has decided to go her own way following PepsiCo's \$3.3bn (£2bn) purchase of the US fruit iuice company from Sasgram, in her place. Tropicana will be headed by previously president of Tropicana's North American operations and Marram's

Before selling Tropicana to PepsiCo, Seagram had been planning to take it public, a decision that had been keenly anticipated by Marram, "I would have been chairman, chief executive, and president of a public company, and that certainly would have been wonderful. "I know there's been some conjecture that that's the

reason I decided not to stay, but the more straightforward reason is that I'm interested in new challenges. "I'm certainly interested in the position of chief executive or chief operating officer of a large

independent company, but I'm open to new challenges in general. Rodkin has headed Tropicana's North American operations, which account for 80 per cent of revenues, for five years. Before that, he was with General Mills, where he was president of the Yoplait-Columbo yoghurt division. Richard Tomkins, New York

Leckenby to lead printer

Note Printing Australia, a subsidiary of the Reserve Bank of Australia and a world leader in the printing of plastic banknotes, has appointed John Leckenby chief executive to replace the retiring head, Robert Larkin. Note Printing, formerly a division of the central bank, was last month established as a separately incorporated, wholly owned

Australia pioneered the use of durable plastic banknotes which are printed on a polymer material called Guardian. Australia is now printing currency notes for several other countries, as well as supplying domestic demand, currently estimated at 400m notes in circulation. Leckenby, who was most

subsidiary.

recently Australian group general manager of building products at Email, the white goods manufacturer, has a strong track record in manufacturing and marketing. "At a time of immense opportunity for Australia's polymer technology in the international banknote market, he brings manufacturing and marketing skills," Note Printing said. which looks and feels like

worldwide via Securency, a

joint venture between UCB

Films and the Reserve Bank of Australia The notes are more

expensive to produce than paper notes, but last about four times as long, Note Printing said. They have proved difficult to counterfelt or to destroy, largely because of the incorporation of a clear window in the notes which defeats photocopying. The window can carry optically variable devices - images produced by electron beam exposure technology, which can be Gwen Robinson, Sydney

Johnson to **Barclays Capital**

Barclays Capital, the investment banking arm of the Barclays Group, has signalled renewed interest in Australia with the appointment last week of Nicholas Johnson to head Its Australian operation. The group last year sharply reduced its Australian presence after selling the Australian and New Zealand operations of its Barclays de Zoete Wedd equities business to ABN Amro, the Dutch investment bank, for

Johnson, 47, will develop business in debt lending and risk management from its Sydney base, with emphasis on the group's experience in the eurobond market. The decision follows restructuring of Barclays Capital's operations in the Asia-Pacific region and reflects growing interest among international Investment banks in the Australian market. Barclay: Capital's Australian arm has concluded a number of deals in the past year. including arranging a US\$900m loan facility to finance the Southern Cross fibre optic cable project, and underwriting some large mining projects. Johnson in the past two years has

A\$177m (\$109.20m).

hunded business development at Commonwealth Bank of Australia, where he was projects and corporate debt Steve Crane, who left Barclays after it sold its **BZW Australia operations** ast December. Johnson began his banking career in Lebanon with Citicorp's

From 1989, he worked in Sydney with CS First Boston as head of corporate advisory and project finance. He later joined Morgan Stanley in Australia as head of structured finance. Barclays Capital said his appointment brought "solid nternational banking experience, as well as significant advisory, structuring, and business development expertise" to the group's Asia-Pacific

Combined with our debt focus, his relationships with Australia's business and investment community will be extremely valuable in an important market," said Roger Devis, Barclays Capital Asia-Pacific chairman and chief SCIECULIVE.

Gwen Robinson, Sydney

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Down on the farm

Double blow for US agriculture

The maize fields in Wisconsin present a picture of prosperity - rows of tail. healthy crops ripening under a summer sun. But it is hardly a sight set to quicken the pulse of local farmers.

Maize prices are at their lowest for four years, and biggest US harvest on record is a big factor in the decline.

Nor is this problem of low prices and plentiful supplies confined to corn for varying reasons, it extends to oilseeds, other grains, and to many meat products. As a result, official esti-

mates suggest US farm income will fall to about \$12.5bn this year, almost 20 per cent below the record of 1996. And that, in turn, has ing, with the powerful farm lobby calling for financial stance or some reversal of the deregulatory moves foreshadowed under the 1996

Essentially, the US agricultural sector is suffering from a double-whammy.

First, prices for a large number of agricultural producis have been driven down by the collapse in Asian demand, at a time when production and supplies are high on many fronts. The Russian financial crisis has added to problems.

For example, a record US soyabean crop is expected bushels. But this follows a very favourable growing season for the big South American producers. Soyabean prices are at their lowest

In the livestock sector, year, just as the US cattle herd was being liquidated, compounding the steady. long-term decline in prices. Hog farmers had also expanded operations in early 1997. prompting a sharp decline in prices in the second half of 1997 as demand for pork

exports fell away. Second, there are weatherrelated problems. In Calif-

London markets markets were closed yesterday for a public holiday. US market

cool weather. This delayed crop development, although

some lost ground has now been made up. Much more dramatic were the severe drought condi-Oklahoma in July and August, shriveling crops, from cotton to corn. Parts of

Plains, meanwhile, are still suffering the effects of past flooding and saturated land. When weather-related production problems occurred in the past, they often served to push up commodity prices. This time, with world demand flagging, farmers rowers.

"It's something unusual this time," says Keith Leggett senior economist with the American Bankers Association, which monitors rural finance conditions. Hut

COTTON TOTAL US PRODUCTION EXPECTED TO FALL 24%

lysts admit the hardship is

very unevenly dispersed. Last year, for example farm income fell about 6.8 Midwest many states saw small falls, or even gains. In Kansas, the decline was

less than 4 per cent, and in Michigan, Missouri and Indiana, farmers notched up double, digit improvements. But in North Dakota, where wheat accounts for more than 40 per cent of farm commodity sales, farm incomes fell 91 per cent,

from over \$1hn to just \$84m.

This year, the pattern is likely to be similar. Large harvests in important graingrowing areas should cushion many farmers there, while wheat farmers in the upper plains and all manner of growers in Texas, who are battling weather problems and low prices, will suffer badly - and probably garner most of the headlines.

The US is a large country, and we always hear about the bad things. Farmers being what they are, they don't go out and brag about the good crops and yields," says the American North Dakota and the Upper Farm Bureau.

eral environment is tougher, there are some pluses. Interest rates remain relatively low and Mr Leggett says agricultural banks are well positioned to support bor-

the problems are fairly localised," he says, although he also suspects the effect of tumbling wheat prices now down to seven-year lows - will ricochet further. And while no-one wants to

Growers take small comfort from rising prices

MADE CET (LAND to mer, centerfelb bushel)

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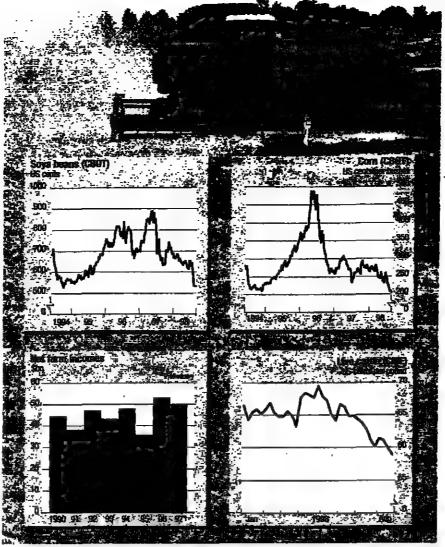
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IN SOYMERS WELL CAT (100 EVER 5700)



could have helped itself if more growers had been willing to lock into prices at the start of 1998, instead of cambling that the tail-end of the El Niño weather pattern would create broader production problems and push prices higher.

Nevertheless, two conse-

quences from the declining conditions in the US farm sector seem inevitable. First, the trend towards farm consolidation will probably continue. Second, pres-

sions to the Freedom to Farm Act - which was supposed to encourage deregulation of the US farm sector and ween it away from subsidies and price supports will be stepped up. Already, the Clinton

administration has agreed to pay about \$5.5bu of annual "transition payments" as a single lump-sum next October, rather than spreading them over a period of months. This should help

sions - a debate spurred by the prospect of congres elections due later this year and the need to secure seats in predominantly agricul-

says Rod Westmorvice-president at Sparks Companies, the Memphis-based commodity firm. But changes will depend on how those elections play out: "The first question is what

BEEF PRICES BELOW BREAK-EVEN

Russia unsettles E Texas cattle men hit by cheap imports

By Tony Walker In Merkhan, Texas

Mike Domel, Texas cattle rancher, does not mince words. "It's a disaster." he says, "We're getting the same price for our cattle as if there wasn't a drought, things would still be bad."

Meridian, a small cattlefarming community two hours drive south of Dallas, is representative of ills afflicting the beef industry across the US.

Farmers tend to be pessimists, but US cattle men, dusty sale-yard in rural Texas, appear to have particular reason for gloom, buffeted by a continuing decline in domestic consumption, cheap imports and Asia's financial crisis.

Mr Domel, both cattle producer and proprietor of the Meridian sale-vards, is pessimistic and blames competition from abroad for much of the industry's plight. "If the government persists with its policy of cheap food, they'll break 90-95 per cent of cattle farmers," be says.

Texas ranchers, who account for some 15 per cent of the US cattle herd of 99.5m, are also having to contend with one of driest spells on record and a resulting sharp rise in feed prices. Farmers, who cannot afford feed, are sending more cattle to market, depressing prices to levels below those which are considered "break-even" Ъy National Cattlemen's Beef Association, umbrella organsation for beef producers.

Cattle prices last week touched 58 cents a pound, near the lows for the year. The cattle men's association estimates that production costs for farmers operating leedlots are 65-70 cents/lb.

feed prices, were up 8 per cent over the same period last year. This has led to

cents/lb in 1990. Texas A&M University, in a survey of the costs of drought across Texas estitural producers amount to some \$1.5bn. Lost cattle revenues are about \$50m. but that excludes livestock feed costs of about \$150m.

The downturn in Asia has not helped. The US exports about 8 per cent of producgoes to Asia, with Japan tak-Korea were down about 50 per cent in the first six months of 1998 compared

competition from lower-cost

sale yards, ranchers' concurus seem far removed from international economics. With temperatures hovering around 100 degrees day after I'll have to get rid of my cows." says B.J. Stasey. He is

across the US, but has further depressed prices. Chuck Lambert, chief economist for the National says low prices and drought are placing a huge burden on Texas farmers, who have been grappling with price

ing about half. Exports to Adding to problems is

producers, such as Australia Canada and New Zealand which supply 87 per cent of US beef imports and whose currencies have depreciated sharply against the US dollar. Imports, which account for 9 per cent of US con-

day, their main worry is lack of rain. "If it don't rain soon

JOTTER PAD

rare beneficiaries of rising cultural sector recently. But. from Florida to California,

a pound at mid-year to more optimistic tone.

US cotton-growers have been about 5 cents more recently.

much smaller than expected US harvest. Flooding of the Yangtze River, and the possiresult, then added to the

before slipping back by ers is that this modest rally figures, total US production growers in southern Alacomes against a background But the rise was triggered in which prices have been years. Three years ago, cotton was trading at more

than 90 cents a pound. duction difficulties have been fairly widespread. National Cotton Council,

will be 14.8m bales, down 24 per cent from 1997, with per acre, down by 40lb (or about 6 per cent) from last

economic services at the According to latest US says that searing heat in

SOFTS

A GOOGLA CSCE (TA timum, \$6)

M. SUGAR "11" CSCE (112.000ther cents/ited

72.11 -0.25 72.25 71.55 1,098 4,420 72.08 -0.30 72.30 71.5011.813 35,052 71.57 1.10 72.08 18,285 71.57 - 71.95 71.40 1.119 9,957 72.28 - 72.30 72.15 951 5,971

Company, London

7.55 -0.01 7.94 -0.06 8.09 -0.06 8.14 -0.07 8.37 -0.03

bama, southern Georgia and exceptionally dry conditions. Growers in California,

another important cottonproducing state, suffered difficult, and particularly cool,

And even those growers experienced a bad year for insects - to which cotton is particularly susceptible.

US COMMODITY PRICES W HIGH GRADE COPPER (COMES)



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conditions at planting time. Yields there could be down

parts of the Florida panhan- who got by with average

"Insect-related costs are up and prices are down,"

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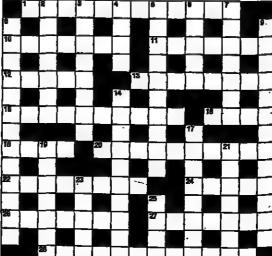
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CROSSWORD

No.9,775 Set by GRIFFIN



ACROSS

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in it incorrectly set (8) 15 Gorse piled round things in 16 Fly Brown back after midnight (4) 18 Expel some famous train-

ist's dropped off (5)

ees (4) 20 Group of soloists in love after recital (10) 22 Len's smug after beating depression (8)
24 Mountaineers do this with

cold part of body (5) 26 Matrimonial work put in by a student (7) 27 Person from Spain, ie Brian

Turner? (7) 28 Using very little money on pine instrument (5.7)

2 Found local man (50) miss ing (7) 3 Honour the RAF chaps on board (8) 4 Ruler we kept in a jug (4)

tin instrument (5.8)

parion does some needle work (8) 19 Chip in foil raised in price

(5,2) lacking capital (7)

Solution to Saturday's prize puzzle on Saturday September

Britannia \$25,000,000 Floating rate notes

due May 2000

For the period 28 America 1998 to 30 Nevember 1998 the notes will annum. Interest payable on the relevant macrost purposent date to \$1 98945 per \$100 (BB) make Global Accord and Trust Service Citibank, N.A., Lundon

CITIBAN(O

Wells Fargo & Company JS\$200,000,000 loating rate subordinated otes due 2000 accordance with the

rovisions of the notes. tice is hereby given that for the interest period 31 August 1998 to 30 Septemb 1998 the notes will carry an mnum, interest payable on amount to US\$48.44 per US\$10,000 note and US\$242.20

CITIBANCO

THE REGENT MOGHUL FUND LIMITED (the "Fund")

have or the Fund shall take place.

The Chase Manhattan Corporation U.S. \$250,000,000 Floating Rate Subordinated Notes due 2000

For the three months 28th August, 1998 to 30th November, 1998 the Notes will carry an interest rate of 5.75% per annum with a coupon amount of U.S. \$150.14 per U.S. \$10,000 principal amount, payable on 30th November, 1998. **Bankers Trust**

BUSINESSES FOR SALE

Appear in the Financial Times every Tuesday, Friday and Saturday. For further information, or to advertise in this section, please contact Marion Wedderburn on 0171 873 4874

لهكانمانخها

Solution to yesterday's prize puzzle on Monday September 14.

120.00

1

5 Settling for advance pay ments I study religion (10) can flower is opening (5) One's job is full of ups and often had to rise (7,6)
9 Eccentric bores me with old

in a very big way (10)
17 In Escort travelling com-

21 Popular new Italian article 23 Where Ian stands with the

25 Having intelligence and

EURO PRICES

TERDINAL NEWSCOOL

BETTACHER 1 1998

EQUITIES

Russia unsettles Europe again **EUROPEAN OVERVIEW** Average. But this soon slightly more in percentage fellow retailer, Comptoh's

Most of Europe's leading Europe. stock markets came under fresh selling pressure yesterday, unnerved again by what France's CAC 40 LA per cent was viewed as a worsening and Switzerland's SMI index

economic and political scenario in Russia Frankfurt, Paris, Zurich and Amsterdam all made limited progress at the outset as traders scrambled to cover extensive short posi-

tions in the hope that Wall Street would come in firmer. The US market began well.

1150

iresh wave of selling across

index fell 2.3 per cent, 1.6 per cent. Russia's RTS index lost 1.7 per cent."

The PTSE Eurotop 100 index of leading European shares lost a further 25.87 or l per cent at 2,512.33 while the broader FTSE Eurotop 300 dipped 11.83 or 1.07 per

The FTSE Ebloc 100 index notching a 40-point gain on of companies within the pro-

Lave

3678.22 3858.42 1276.65

reversed and a three-figure terms, losing 14.83 or 1.63 per Modernes, not already fall on the Dow triggered a cent to 894.61. owned. The worst individual

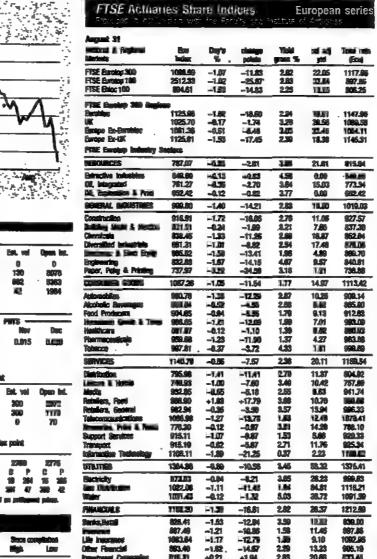
Only three Eurotop indusindustries, which edged up 0.83 or 0.13 per cent to 649.60; retailers, food, up 17.79 or 1.83 per cent to 988.90; and investment companies, up

1.94 or 0.21 per cent. Strength in the retailers, food sector derived from a strong performance by Proto Ecu 582.23, and Carrefour, up Ecu 38.4 to Ecu 522.10.

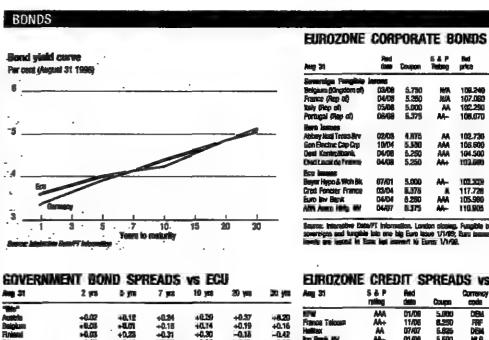
try sub-sectors were able to from paper, packaging and Germany's Xetra Dax post gains - extractive printing, which retreated 24.58 or 8.22 per cent to 787.97, mostly on the back of

weakness in forestry stocks. German banks took another hammering, linked

to the Russia crists. Vereinsbank lost Ecu 4.8 The latter announced it is to Ecu 68.16 after news of paying up to \$3.12bn to risk provisions totalling acquire the 77.2 per cent of DMILSha for 1895.



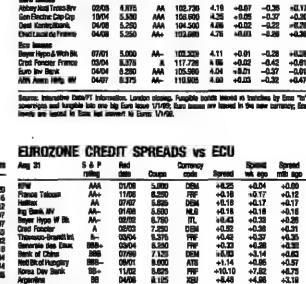


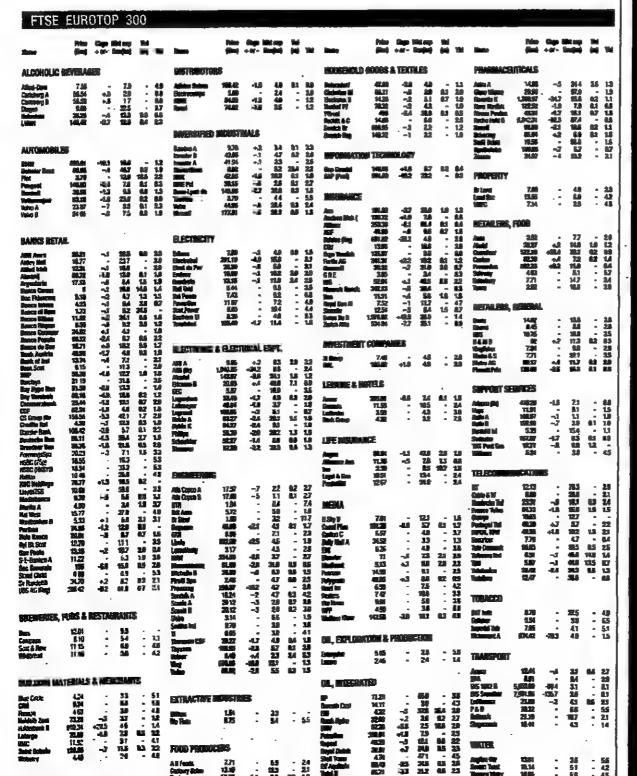


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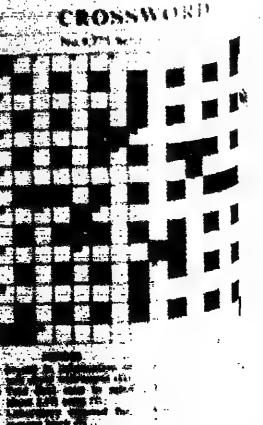
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the euro

You'll get more insights from ABN AMRO.



IPMA pans

withholding

tax proposal

A European Union proposal

to impose withholding tax

leading trade body.

GOVERNMENT BONDS

By Jeremy Grant in London

and John Labors in New York

European prices fell or were

unchanged yesterday as

traders and investors took

stock of their positions in

the absence of market mov-

ing developments - princi-

pally in Russia, the main

market motor in the past

However, US Treasury

prices were higher by mid-

day as stocks sagged on con-

tinued world-wide nervous-

Analysts said there was no

pollar become

2,

issues, forcing issuers to pay "If the tax is introduced

holding tax on interest income, including interest earned on bank deposits and eurobond holdings. Almost all eurobond issues are currently structured so that tary general. interest is paid without any

financial services centres.

which is part of the EU's on interest income will cause serious disruption to Europe's capital markets and drive some business outside the EU, according to a The International Primary Market Association, which tic financial markets. represents underwriters of debt and equity securities, claims the EU proposal, published in draft form in May

and now with the Council of Ministers, could drive much

tax themselves," said Clif-

tax being deducted. Aware that the tax would neet stiff opposition, the EU also proposes an alternative arrangement whereby countries would inform other European tax authorities about interest payments to EU citizens in their jurisdictions, with the information being supplied by banks holding investments on

behalf of clients. In 1989, the UK and Luxembourg, the principal Euroean centres of the eurobond markets, managed to quash a similar move to impose a 15 per cent withholding tax on eurobond interest. The UK has said it would also oppose the new measure but would be willing to consider

information sharing.

across the Union. The EU has asked member states to present reports to the council of ministers on the tax proposal on their domes-IPMA says the proposal is "deeply flawed" and badly timed because of the imminence of European monetary last week, it claimed the

dominated by London-based

tion to the withholding tax,

of the booming eurobond move would affect some market outside the EU and \$100bn of existing eurobond increase administrative costs by 20 per cent.
The EU is proposing to the tax themselves or redeem the bonds ahead of introduce a 20 per cent withschedule. issuers of 5 to 7 per cent of bonds will have to pay the

ford Dammers, IPMA secre-The organisation said the tax would drive a large swathe of the eurobond business to New York or Switzerland, with the loss of more than 11,000 jobs in the EU's

It warned of "a tidal wave. of litigation" between issuers and investors because of disputes over the implementation of the withholding

IPMA estimated that some \$1,000bn of eurobonds will be issued in 1996, about 75 per cent of which are originated and executed in London. There are already \$3,250hn of outstanding bonds, about half of them from EU issuers, and some 10 per cent of outstanding bonds are held by retail investors.

lows, as equity markets The UK government bond European stocks traded pushed modestly higher by trial Average erasing its sign that bond yields had reached lows, in spite of last midday on signs of economic entire gain for the year by slipped. The focus was still market was closed vesterday lower in nervous trading and for a bank holiday. slowing and as the US equity on Russia, but safe-haven week's successive recordin New York, the Dow Jones

Investors take stock of their positions

breaking levels. In Germany. Industrial Average was market continued to suffer

Mr Chernomyrdin told the

Duma that the recent debt

moratorium had been a mis-

take, along with the de facto

Some uncertainty remains

over the fate of Russia's

long-awaited forced swap of

short-term Treasury bills

(GKOs), in spite of an

announcement on Friday

that investors have three

weeks in which to decide

how they want to exchange

their paper for longer-dated

US TREASURIES had

devaluation of the rouble.

bund analysts predicted that knocked below 8,000 early in substantial losses.

Widening swap spreads highlight flight to quality As eurobond and US corporate bond prices have fallen investors have sought the safest havens for their money, says Edward Luce

ne of the most tangible barometers of the flight to quality over the past fortnight has been the movement in swap spreads in the leading currency markets. Led by the US dollar and sterling, spreads in the swap market between fixed-rate

and floating-rate paper have widened, in some cases to Under normal market coneffects will it have on borditions, the swap spread between, say, the 10-year US Treasury bond and 10-year dollar floating-rate paper

Owing to lower volatility in the German market, the spread between bunds and floating-rate D-Mark 10-year tion to the melt-down in paper would normally be emerging market assets). about 20 basis points. In investors have sought the other words, 10-year floatingrate bonds would normally yield 20 basis points more

than 10-year fixed-rate German government bonds. In the past few days, these spreads have widened dra- although other triple-A rated

Benchmark Government Bonds

WORLD BOND PRICES

spread in 10-year D-Marks hitting 59 basis points and a massive 85 basis points, at one stage, in US dollars (fractionally below its record

the yield on the benchmark

bund contract could slip as

flow environment but the

bond markets have seen a

day of consolidation. It was

really quite quiet by recent

standards," said Padhraic

Garvey, bond analyst at

The rejection by the Rus-

sian Duma of Victor Cherno-

myrdin as prime minister set

the scene for further jitters

over Russia's political

future. That is likely to buoy

bond prices, analysts said.

ABN Amro in Amsterdam.

"It's still a 'safe haven'

low as 4 per cent.

high). Five-year sterling spreads, at one point, widened beyond 100 basis cipitous widening? And what

rowers? The most obvious reason for the widening between fixed and floatingrate paper is a leap in investor demand for high-quality As bond prices plummet in the eurobond and US corporate bond market (in reac-

safest havens for their The most popular instruments are 30-year US Treasury bonds and 10-year German government bonds.

First Bid Bid Day ong Wit ong Monae. Year Code Cassoon Price York york yield ong yid ong yid

matically, with the swap sovereign bonds have also wider swap spread is that ers, floating-rate money is last week with 10-year bond

been targeted by jittery fund As a result, the prices of US and German government the yields have fallen corre-

floating-rate credit is essentially bank credit," said Brian Mooyardt, head of a bond analytics consultancy

benchmark 30-year bond was

up % to 1025, sending the

vield lower to 5,330 per cent.

10-year notes were up is to

104 s, yielding 5.056 per cent,

while two-year notes had

climbed 1 to 100%, yielding

Overseas markets contin-

ued to be the main focus for

investors. Bonds were mixed

early in the session as the

stock market attempted a

rally. However, sentiment

turned negative soon after,

with the Dow Jones Indus-

4.892 per cent.

Among shorter-term issues

'All but the best triple-A borrowers are shut out of the bond markets in these conditions. But even the triple-A borrowers must pay up to attract the investor'

spondingly sharply. The entire German government bond yield curve - covering all its maturities - has touched record lows in the past few weeks. In contrast, investors have

spurned floating-rate cash,

thus pushing the swap

"The main reason for the

BOND FUTURES AND OPTIONS

108.80

5.79

spread ever wider.

Floating-rate paper, other words, is rated AA at best (only Rabobank, the Dutch bank has an AAA credit rating, Deutsche Bank having been downgraded

Russian and Asian borrow-

108.42 108.00

48,203 6,970

Given the extent of stock Both Fannie Mae and Fedmarket anxiety about western banking exposure to eral Home Loan Banks

. INTERNATIONAL CAPITAL MARKETS

By early afternoon the reported by the US Com-

In the day's economic flows into the German bond

bound to suffer accordingly. offerings priced to yield

a cut. Holding fixed-rate rate, it swaps all its fixed-

bund

still further.

news, sales of houses were

merce Department to have

fallen in July. New homes

sales fell 1.6 per cent to an

annual rate of 886,000. May

Meanwhile, the National

Association of Purchasing

Management index of the

Chicago region was reported

to have dropped to 49.3, fol-

lowing a July reading of 57.6.

This was the largest decline

since 1985, although the

prices paid component rose.

GERMAN BUNDS ended

the day down, but off their

Second, bond investors are

increasingly nervous about

the threat of global defla-

magnitude of the Russian

a global recession.

melt-down, few can rule out

The balance of expecta-

tions, therefore, has shifted

from an increase in US Fed-

eral Reserve interest rates

over the next few months to

assets is a natural hedge

against lower interest rates.

closure of the primary bond

The upshot is the effective

"All but the best triple-A

and June figures were also

revised downward.

market were subdued as

investors awaited firm devel-

The September 10-year

unchanged at 113.80 in thin

volume of 171,000 contracts

bond sales at BHF-Bank in

Frankfurt, said investors

expected the yield on the

benchmark cash bund to fall

The trend is still there.

Most domestic investors are

still overweight and expect-

ing 4 per cent [yield]," said

spreads much in excess of

what they would normally

pay. The European Invest-

ment Bank is also expected

to come to the market in dol-

lars over the next few days.

the Fannie Maes of the bond

widening of the swap spread.

Because most of Fannle

Mae's assets are floating-

rate bond offerings into

floating paper immediately

after gathering the proceeds.

The upshot is that Fannie

Mae is achieving a broadly

similar rate of Libor (or sub-

Libor) funding to what it

achieves in normal market

To some extent though,

Thomas Knabel, head of

traded in Frankfurt.

future settled

borrowers are shut out of the bond markets in these conditions," said Michele Faissola, head of European swaps and options for Deutsche Bank. "But even the triple-A borrowers must pay up to attract the investor."

conditions. For borrowers rated AA or below, there are no such consolations: credit has suddenly become a dirty word. No matter how wide the swap spread, few borrowers will be able to reach the recognised the new reality market in the first place.

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									IM (E	KNA	TONAL	BOW	เมธ				Day's	Might's	Spread
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tice indices	4100	Fri	Day's	The	Acc	reed	nt ad,			- Laye ea	uwan yisid		ludjoga d	Shirene 1	wield -			JK Ind Ospor vi	
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Over 15 years (215,29	0.13	215.00		2.84	7,40	20 ms											
irredoemables (*		281.85	0.64	280.08		1.00	8.53	ired.t				00 3.1 10	27 5	20	7.07		36	1.39	2,11
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Arrivatemables (4 All stocks (40) soles-linked Up to 5 years (5) Over 5 years (6) Over 5 years (6) All stocks (11) recogn gross redespil T Flood Interference (UK) 575% interested (UK) 575% interes	est trace Any 23 d 1993. An Scordes 1 1002. 1003. 1004. 1005. 1006. 1006.	221.04 240.07 24	0.54 0.28 0.00 0.10 0.10 0.10 0.10 0.10 0.10 0.1	290,06 158,94 220,86 226,15 226,15 State: Low: Aug 25 Aug 167,31 107 34 States Low: Last 22 xi fin 9 23,3 190 99 11,5 125 99 67,130 10 88,694 99 11,5 125 90 18,15 125 91 11,5	1. 00744%; OH-744%; OH-744%	2-42 96 98 98 98 15 Mediant 29 20 20 20 20 20 20 20 20 20 20 20 20 20	8.53 7.36 3.13 5.08 4.70 891-10949 891-10949 11974	Up to : 0 ver 5 5; High 17 4; 18 18 18 18 18 18 18 18 18 18 18 18 18	5 yea i ye		Aug 28 147.40 158.5541 147.40 158.5541 144.1247 185.7255 185.725 185.725	Aug 27 147.02 Index-Lin 21-pc 9	Aug Si 148.17 148.17	Ang 28 2.03 2.21 Ang 28 146.22 1-4-12 70.38 1-3-12 70.38 1-3-12 70.38	7.97 Page 1 145 1	6. 10% = 27 Y1 122 21	7. ago 2.91 3.41 141 17 ago 125.88 2.150 Mg 2.150 Mg	Hight 147.40 nw 50.52 (Low 115.32 13901/78, 185
Arrivatemables (4 All stocks (40) soles-linked Up to 5 years (5) Over 5 years (6) Over 5 years (6) All stocks (11) recogn gross redespil T Flood Interference (UK) 575% interested (UK) 575% interes	est ind Aug 22 d 1991. Aug d 1	221.04 240.07 24	0.54 0.28 0.08 0.10 0.10 0.10 0.10 0.10 0.10 0.1	290,06 158,94 220,86 226,15 226,15 State: Low: Aug 25 Aug 167,31 107 34 States Low: Last 22 xi fin 9 23,3 190 99 11,5 125 99 67,130 10 88,694 99 11,5 125 90 18,15 125 91 11,5	1. 1. 0 No. 744%; 24 1/2 1/2 1/2 1/2 1/2 1/2 1/2 1/2 1/2 1/2	2-42 96 98 98 98 98 15 Medians 201 163 11 169 169 200 200 200 200 200 200 200 200 200 20	8.53 7.36 3.13 5.06 4.70 891-10949 60.39 6	Up to : 0 over 5 c High 17 d	5 yea 5 yea 6 year 6 ye	1.38 Marie	Ang 27 Y 2.72 2.40 4.192 Year 4.192 Year 4.192 Year 4.193 Year 4.193 Year 4.194 Year 4.1	Aug 27 3.50 3.57 3.60 4 date 4.702 4.702 2.102 2.102 2.102 2.102 2.102 2.102 2.102 2.102 2.102 2.102 2.103 2	Aug 55 148.17 high place	Indiang 28 2,03 2,27 Ang 28 146,22 146,22 146,23 1	7.97 Aug : 2.1 2.1 3.145 4.145 4.145 4.145 4.145 4.145 4.145	5. 16% = 27 Y 102 27 1 1 24 24 24 24 24 25 2 2 2 2 2 2 2 2 2 2 3 2 2 3 2 3 2 3	7. lego 2.51 3.41 17 ego 3.51 3.51 3.51 3.51 3.51 3.51 3.51 3.51	High: 147.40 nv 50.33 (during the during the	Low 115.322 3301/78] Last City xd Bea 16.5 1316 11.5 1316 11.5 1316 17.5 1519
Arrivatemables (4 All stocks (40) soles-linked Up to 5 years (5) Over 5 years (6) Over 5 years (6) All stocks (11) recogn gross redespil T Flood Interference (UK) 575% interested (UK) 575% interes	est trace Any 23 d 1993. An Scordes 1 1002. 1003. 1004. 1005. 1006. 1006.	221.04 240.07 24	0.54 0.28 0.00 0.10 0.10 0.10 0.10 0.10 0.10 0.1	290,06 158,94 220,86 226,15 226,15 State: Low: Aug 25 Aug 167,31 107 34 States Low: Last 22 xi fin 9 23,3 190 99 11,5 125 99 67,130 10 88,694 99 11,5 125 90 18,15 125 91 11,5	1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1	2-42 2-42 2-42 2-42 2-42 2-42 2-42 2-42	8.53 7.36 3.13 5.06 4.70 8%-1044	Up to 0 Over 5 C High 17 May 1	5 yea 5 yea 6 year 6 ye	1.38 India Ang 28 2.72 2.40 2	Ang 28 Ang 27 Y 2.72 2.40 Ang 28 1.47.40 (\$3.01.73, F 1.65 255.41 1.44 1247 1.65 25.54.11 1.65 25.54.11 1.65 25.54.11 1.65 25.54.11 1.65 25.54.11 1.65 25.34.	Aug 27 147.02 hades-Line 2-base interest 2-base 12	Aug Si 145,17 Migh alexa	Ang 28 2,03 2,27 Ang 28 148,22 2,07 Ang 28 7,03 2,07 7,07 7,07 7,07 7,07 7,07 7,07 7,07	7.97 Aug : 2.6 Aug : 2.6 3	6. 18% - 127 Y 192 27 1889 1 17.4 (26 22 12 12 12 12 12 12 12 12 12 12 12 12	7. lego 2.91 3.41 17 ego 2.589 2.150 Meion, II 2.150 Meion, II	Higher 147,40 few 50.32 fe 22 Nw22 24 Sazzi 20 Nw21 19 Jy19 23 Au23 16 Au16 85 Jy29	115.32 3907/78, 185
Arrivatemables (4 All stocks (40) soles-linked Up to 5 years (5) Over 5 years (6) Over 5 years (6) All stocks (11) recogn gross redespil T Flood Interference (UK) 575% interested (UK) 575% interes	est trace Any 23 d 1993. An Scordes 1 1002. 1003. 1004. 1005. 1006. 1006.	221.04 240.07 24	0.54 0.28 0.00 0.10 0.10 0.10 0.10 0.10 0.10 0.1	290,06 158,94 220,86 226,15 226,15 State: Low: Aug 25 Aug 167,31 107 34 States Low: Last 22 xi fin 9 23,3 190 99 11,5 125 99 67,130 10 88,694 99 11,5 125 90 18,15 125 91 11,5	1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1	2-42 96 98 98 98 15 Mediate 15 Mediate 27 20 16 20 20 20 20 20 20 20 20 20 20 20 20 20	8.53 7.36 3.13 5.06 4.70 8%-1044 6.53 6.50 6.39 6.50 6.39 6.50 6.50 6.50 6.50 6.50 6.50 6.50 6.50	Up to Over 5 C Algo 17	5 yea 5 yea 75 and own 75 and own 75 and own 75 August 76 Eug 10 543 10 543 10 1373 11 700 10 2,00 10 2,00 10 2,00 10 2,00 10 2,00 10 2,00 10 3,150 10 3,150 10 3,150 10 3,150 10 3,150	1.38 India Ang 28 2.72 3.40 2	Ang 28 Ang 27 Y 2.72 2.40 4. yil Year 5. yil Year 6. yil Year 7. yil Year 6. yil Year 6. yil Year 6. yil Year 6. yil Year 7. yil Year 6. yil Year 7. yil Year 6. yil Year 6. yil Year 6. yil Year 6. yil Year 7. yil Year 6. yil Year 6. yil Year 6. yil Year 6. yil Year 7. yil Year 6. yil Year 6. yil Year 6. yil Year 6. yil Year 7. yil Year 6. yil Year 6. yil Year 6. yil Year 6. yil Year 7. yil Year 6. yil Year 7. yil Year 6. yil Year 7. yil Year 7. yil Year 8. yil Year 8. yil Year 8. yil Year 9. yi	Aug 27 3.50 3.57 3.60 6 data 447.02 bad bacest 2 lage 9 2 lage 19 2 lage 17	Aug St 146.17 bigs decre	Ang 28 2,03 2,27 4,03 2,27 4,03 4,03 4,03 4,03 4,03 4,03 4,03 4,03	7.97 Aug : 21 2.1 3. Aug : 21 3. Aug : 21 3. Aug : 22 3. Aug : 2	6. 19% = 27 Y 192 192 192 193 193 193 193 193 193 193 193 193 193	7. lego 2.91 3.41 47 ego 2.5.88 508-90, 1 1,150 April 1,150 April	Hight 147.40 1 147.40	Law Law Cay ad Inc. 135 1316 115 1316 115 1316 17.5 1316 17.5 1316 17.5 1316 18.6 17.5 1316 18.6 1316 18.6 18.6 18.6 18.6 18.6 18.6 18.6 18
All standard (46) All standard (17) All standard	20 100 1	221.04 158.35 221.04 240.07 108.5 1 Aug 2 1 108.1 109.5 109.	0.64 0.28 0.10 0.10 0.10 0.10 0.10 0.10 0.10 0.1	290,06 158,94 208,83 236,15 8 Marier Low: Aug 25 Aug 167,31 107 8 Severament 1878, SE act 1828, SE act 1828, SE act 1828, SE act 1828, SE act 1828, SE act 1838,	1. O. C. Trees, S.	1.80 2.42 96 98 98 97 15 Medical services of the services of t	8.53 7.36 3.13 5.06 4.70 8%-1044 11974	Up to 0 Over 5 C. Algo 17 C. Algo	5 yea 5 yea 75 and own 75 and own 76 and own 76 and own 76 and 77 4442 10 545 10 757 10 10 10 10 10 10 10 10 10 10 10 10 10 1	1.38 India Aug 28 2.72 3.40 1.72 3.40 1.72 3.40 1.72 3.40 1.72 3.40 1.72 3.40 1.72 3.40 1.72 3.40 1.72 3.40 1.72 3.40 1.72 3.40 1.72 3.40 3	Ang 28 - Ang 27 Y 2.72 2.40 Ang 28 - 4.74.00 (EV) 01/7-3. F 2.7 2.7 2.7 2.7 2.7 2.7 2.7 2.7 2.7 2.7	Aug 27 3.50 3.57 3.60 6 data 447.02 bad bacest 2 lage 9 2 lage 19 2 lage 17	Aug St 146.17 bigs decre	Ang 28 2,03 2,27 4,03 2,27 4,03 4,03 4,03 4,03 4,03 4,03 4,03 4,03	7.97 Aug : 21 2.1 3. Aug : 21 3. Aug : 21 3. Aug : 22 3. Aug : 2	6. 19% = 27 Y 192 192 192 193 193 193 193 193 193 193 193 193 193	7. lego 2.91 3.41 47 ego 2.5.88 508-90, 1 1,150 April 1,150 April	High 147.40 no 50.37 (c) 147.40 no 50.37 (c) 147.30 (c)	Law Law Cay ad Inc. 135 1316 115 1316 115 1316 17.5 1316 17.5 1316 17.5 1316 18.6 17.5 1316 18.6 1316 18.6 18.6 18.6 18.6 18.6 18.6 18.6 18
All standard (46) All standard (47) All standard	## 1023 1024 1024 1024 1025 1025 1025 1025 1025 1025 1025 1025	281.85 158.35 15	0.54 0.28 0.00 0.10 0.10 0.10 0.10 0.10 0.10 0.1	290,06 158,94 200,86 200,83 206,15 State: Low: Aug 25 Aug 167,31 107 6 State: Low: 1 1928, SE act 1 1928, SE act 1 1928, SE act 2 184,949 9 11,5 129 9 12,3 130 9 18,5 124 1 15,125 1 15,125 1 15,125 1 15,125 1 15,125 1 15,125 1	1. 0. 0. 1. 0. 0. 1. 0. 0. 0. 0. 0. 0. 0. 0. 0. 0. 0. 0. 0.	1.60 2.42 96 96 97 97 97 97 97 97 97 97 97 97 97 97 97	8.53 7.36 3.13 5.06 4.70 8%-10%4 8%-10%4 8%-10%4 8%-10%4	Up to 10 Over 5 (c. High 17 All 18 Co. 18 Co	5 yes 5 yes 5 yes 6 yes	1.38 1.58 1.	Ang 28 Ang 27 Y 2.72 2.40 4. yil Year 4. yil Year 4. yil Year 4. yil Year 1.47.40 1.24 1340 1.45 1341	Aug 27 3.50 147.02 balon-Lin 2-par 9 2-par 9 2-par 10 2-par 11 2-par 12 2-par 14 2-par 14 2-par 15 2-par 15 2-par 16 2-par 16 2-par 16 2-par 16 2-par 17 2-par 17 2-par 18	Aug SS 148,17 Mgs place	Ang 28 2,03 2,21 Ang 28 2,03 148,22 148,22 178,3 1 178	7.57 fedica:	6. 16% = 27 Y 10 12 27 1 12 27 1 12 27 1 12 27 1 12 27 1 12 27 1 12 12 12 12 12 12 12 12 12 12 12 12 1	7. lego 2.91 3.41 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	High 147.40 mr 50.32 (mr 5	Low 115.32 1301/78, 21 Bas 18.5 17.5 1317 16.3 1318 11.5 1317 11.6 1318 11.6 1318 11.6 1318 11.6 1318 11.6 1318 11.7 1323 12.7 1134
All standard Holes (HG) adder-lineard Holes (HG) adder-lineard Holes (HG) All standard Holes (HG) All standard (HG) All	2007 1007 1007 1007 1007 1007 1007 1007	221.95 158.15 221.94 221.97 226.37 226.37 226.37 236.37 246.37 246.37 247 247 247 247 247 247 247 247 247 24	0.54 0.28 0.08 0.10 0.10 0.10 0.10 0.10 0.10 0.1	290,06 158,94 220,86 228,85 226,15 State: Low: Aug 25 Aug 107,31 107 3 Execution 107 3 Executi	1. O. O. Trans. Off.—Trans. Of	1.80 2.42 98 98 9.15 identical and 1.15 identical a	8.53 7.36 3.13 5.08 4.70 8%-10%-10%-11 8%-10%-11 8%-10%-11 8%-10%-11 8%-10%-11 8%-10%-11 8%-10%-11	Up to 17 Over 5 C High 17 High 17 17 17 17 17 17 17 17 17 17 17 17 17	5 yea 5 yea 6 year 6 ye	1.38 1 1 1 1 1 1 1 1 1	Ang 28 147.40 158.5541 147.40 158.5541 144.127 158.5541 158.55541 158.55541 158.55541 158.55541 158.55541 158.55541 168.55541 168.55541 168.55541 168.55541 168.55541 168.55541 168.55541 168.55541 168.55541 168.55541	Aug 27 3.50 3.57 3.60 4 data 4 4 5 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2	Aug St. 148,17 bigs also	Aug 28 203 227 146,22 27 146,22 27 146,22 27 170,3 2 2 170,3 3 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	7.57 Aug 21 2.1 2.1 3. Aug 2	6. 19% + 127 + 128	7. lego 2.91 3.41 141 141 141 141 141 141 141 141 141	High 147.40 no 50.37 (c) 147.40 no 50.37 (c) 147.30 (c)	Low 115.32 3001/78] 18.5
All stocks (46) All stocks (46) All stocks (46) All stocks (46) All stocks (17) All stocks (17	Control Cont	221.95 158.15 15	0.56 0.28 0.00 0.10 0.10 0.10 0.10 0.10 0.10 0.1	290,06 158,94 220,86 220,83 226,15 Same: Low: Aug 25 Aug 207,731 16 Soveraments 1 1929, 52 act 1 1929, 52 act 1 1939, 52 act 1	1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1	1.80 96 98 98 98 98 98 98 98 98 98 98 98 98 98	8.53 7.36 3.13 5.06 4.70 891-10949 891-10949 11974	Up to 17 Over 5 C High 17 High	5 yea 5 yea 6 year 6 ye	1.38 1.58 1.	Ang 22 272 2.40 4.72 2.72 2.40 4.74 4.75 4.74 4.75 4.74 4.75 4.7	Aug 27 3.50 147.02 balon-Lin 2-par 9 2-par 9 2-par 10 2-par 11 2-par 12 2-par 14 2-par 14 2-par 15 2-par 15 2-par 16 2-par 16 2-par 16 2-par 16 2-par 17 2-par 17 2-par 18	Aug St. 148,17 bigs also	Aug 28 203 227 146,22 27 146,22 27 146,22 27 170,3 2 2 170,3 3 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	7.57 Aug 21 2.1 2.1 3. Aug 2	6. 19% + 127 + 128	7. lego 2.91 3.41 141 141 141 141 141 141 141 141 141	High 147.40 no 50.37 (c) 147.40 no 50.37 (c) 147.30 (c)	Low 115.32 3001/78] 18.5
All stocks (46) All stocks (46) All stocks (46) All stocks (46) All stocks (17) All stocks (17	102 103 104 105	221.95 159.15 15	0.56 0.28 0.06 0.10 0.10 0.10 0.10 0.10 0.10 0.10	290,06 158,94 220,86 220,85 226,15 Same: Low: Aug 25 Aug 107,31 107,31 4 1929, 52 at 1 1929, 52 at 1 1929, 52 at 1 151,122 9 11,5 122 9 12,5 124 1 17,1 122 1 17,1 17,1 17,1 17,1 17,1 17,1 17,1 17	1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1	1.00 2.42 96 96 97 97 97 97 97 97 97 97 97 97 97 97 97	8.53 7.36 3.13 5.06 4.70 8%-10%4 11974 Reten:	Up to 17 Over 5 Control of the 17 Over 5 Contr	5 yea 5 yea 5 yea 75 August 10 543 lea 10 543 lea 10 543 lea 10 543 lea 10 543 lea 10 1,700 lea 10 2,500 lea 10 2,500 lea 10 3,690	1.38 1.58 1.	Ang 28 Ang 27 Y 2.72 2.40 44 yill Year 147.40 (E3/01/73) F 127.4346 14.41287 16.5 3-61 14.41287 16.5 3-61 18.5 14.68 13.7 13.68 13.7 13.68 13.7 13.68 13.7 13.68 13.7 13.68 13.7 13.68 13.7 13.68 13.7 13.68 13.7 13.68 13.7 13.68	Aug 27 3.50 3.57 3.60 4 data 4 4 5 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2	Aug St. 148,17 bigs also	Aug 28 203 227 146,22 27 146,22 27 146,22 27 170,3 2 2 170,3 3 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	7.57 Aug 21 2.1 2.1 3. Aug 2	6. 19% + 127 + 128	7. lego 2.91 3.41 141 141 141 141 141 141 141 141 141	High 147.40 no 50.37 (c) 147.40 no 50.37 (c) 147.30 (c)	Low 115.32 3001/78] 18.5
Are standard (46) All standard (47) All standard	100 100	221.85 158.15 15	0.56 0.28 0.28 0.28 0.28 0.28 0.28 0.28 0.28	290,06 158,94 220,86 220,83 226,15 88082 Low: 88082 Low: 107,31 1	1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1	1.00 2.42 9.6 9.6 9.6 9.6 9.6 9.6 9.6 9.6 9.6 9.6	8.53 7.36 3.13 5.06 4.70 8%-10%4 11974 Return 11974 Return 11974	Up to 0 Over 5 C Mgs 17 C Mgs	5 yea 5 yea 5 yea 75 August 10 543 lea 10 543 lea 10 543 lea 10 543 lea 10 543 lea 10 1,700 lea 10 2,500 lea 10 2,500 lea 10 3,690	1.36 1.56 1.	Ang 28 Ang 27 Y 2.72 2.40 4. yil Year 4. yil Year 4. yil Year 4. yil Year 1.47.40 1.5. yil Year 1.7. 1274 1.6.1 127 1.6.1 127 2.5. 11.6 2.5.	Aug 27 3.50 3.57 3.60 4 data 4 4 5 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2	Aug St. 148,17 bigs also	Aug 28 203 227 146,22 27 146,22 27 146,22 27 170,3 2 2 170,3 3 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	7.57 Aug 21 2.1 2.1 3. Aug 2	6. 19% + 127 + 128	7. lego 2.91 3.41 141 141 141 141 141 141 141 141 141	High 147.40 no 50.37 (c) 147.40 no 50.37 (c) 147.30 (c)	Low 115.32 3001/78] 18.5
All standard May a standard May to 5 years (A) Over 5 years (A) Over 5 years (A) All standard May to 5 years (A) All standard May to 5 years (A) All standard May to 6 years (A) Over 5 years (A)	## PRINT 1002-1002-1002-1002-1002-1002-1002-1002	221.94 158.15 158.15 158.15 158.15 158.15 158.15 160.85 16	0.54 0.28 0.06 0.10 0.10 0.10 0.10 0.10 0.10 0.10	290,06 158,94 220,86 220,86 220,85 22	1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1	1.80 2.42 9.6 9.6 9.6 9.6 9.6 9.6 9.6 9.6 9.6 9.6	8.53 7.36 3.13 5.06 4.70 891-10949 891-10949 891-10949 891-10949 891-10949	Up to 10 Over 5 C Maps 17	5 yea own for all	1.38 1.58 1.	Ang 28 Ang 27 Y 2.72 2.40 4 yil Year 147.40 (83/01/73, F 17.4 1246 12.5 35:41 14.4 1247 12.5 35:41 14.4 1247 12.1 12.5 35:41 14.4 12.5 35:41 12.5 12.6 22.5 4946 11.7 1233 22.5 1-2 22.5 13.6 13.7 13.6 23.7 13.6 23.7 13.6 23.7 1701 23.7 13.2 25.7 13.2	Aug 27 3.50 3.57 3.60 6 data Aug 27 147,02 147,02 147,02 2 lane 9 2 lane 9 2 lane 9 2 lane 9 2 lane 12 2 lane 12 2 lane 12 2 lane 12 2 lane 13 2	Aug St. 148,17 St. 148	Aug 28 2,03 2,27 2,03 2,27 2,03 2,27 2,03 2,03 2,03 2,03 2,03 2,03 2,03 2,03	7.57 Aug : 21 21 3 Aug : 21 3 Aug : 21 3 Aug : 22 20 3 145 20 20 20 20 20 20 20 20 20 2	6. 19% + 127 + 128	7. lego 2.91 3.41 141 141 141 141 141 141 141 141 141	High 147.40 no 50.37 (c) 147.40 no 50.37 (c) 147.30 (c)	Low 115.32 3001/78] 18.5
An extended (46) All stacks (46) All stacks (46) All stacks (46) All stacks (17) All stacks (1	September Sept	221.94 158.15 158.15 158.15 158.15 158.15 158.15 160.85 16	0.54 0.28 0.66 0.10 0.10 0.10 0.10 0.10 0.10 0.10	290,06 158,94 220,86 220,86 220,85 22	1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1	1.80 2.42 9.6 9.6 9.6 9.6 9.6 9.6 9.6 9.6 9.6 9.6	8.53 7.36 3.13 5.06 4.70 8%-1044 11974	Up to 10 Over 5 C Mgs 17 C Mgs	5 yea 5 yea 6 yea 75 and 6 yea 75 and 6 yea 75 and 6 yea 75 and 6 yea 75 and 75 and 75	1.38 1.58 1.	Ang 28 Ang 27 Y 2.72 2.40 Ang 28 Ang 27 Y 2.72 2.40 Ang 28	Aug 27 3.50 3.57 3.60 4 data 4 4 5 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2	Aug St. 148,17 St. 148	Aug 28 2,03 2,27 2,03 2,27 2,03 2,27 2,03 2,03 2,03 2,03 2,03 2,03 2,03 2,03	7.57 Aug : 21 21 3 Aug : 21 3 Aug : 21 3 Aug : 22 20 3 145 20 20 20 20 20 20 20 20 20 2	6. 19% + 127 + 127 + 128 + 12 + 12 + 12 + 12 + 12 + 12 + 1	7. lego 2.91 3.41 141 141 141 141 141 141 141 141 141	High 147.40 no 50.37 (c) 147.40 no 50.37 (c) 147.30 (c)	Low 115.32 3001/78] 18.5
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EMERGING MARKET BONDS

Dollar becomes casualty of turmoil

record highs. The third reason cited for selling dollars is the growing belief that the Federal

At a time of global economic panic, investors are selling rates, as a way of warding of the currency usually considing global recession and making also lent credence to the The dollar has plunged against the D-Mark and yen even though the US econ-

omy is growing strongly. The rationale seems to be threefold. Firstly, some investors think Russia's financial crisis could spread to Latin America, the US's backyard. The Duma's vote William Poole, member of to reject Viktor Chernomyrthe Fed's open market com-mittee that votes on rates. din as prime minister yesterday kept the Russian fire

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have set off a global market slump, and the US stock market, the world's biggest, fell yesterday to below its levels of the start of 1998. This suggested to some that capital might be fleeing the US - even though Treasury bond prices have jumped to

MARKETS REPORT

By Simon Kuper

Reserve might cut interest

it cheaper for beleaguered emerging economies to pay their dollar debts. The notion of a Fed cut is fairly new. The latest news about the bank's bias was that it tended towards raising rates. However, on Friday sentiment in the interest rate market was changed by

Mr Poole said: "If the market is correct in its judgment Secondly, Russia's woes now, that the dangers (to the economy) are primarily on

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ing data confirm that view. the Fed will follow rates down." He said he had dropped his support of an view that rates might fall.

Eurodollar futures contracts have jumped and now price in a one in three chance of a rate cut at the this month. The chance of a reduction by the end of the year is put at 75 per cent. Yet most economists think

The dollar closed in Lon-don yesterday at DM1.764 to the D-Mark and Y141.2 to the yen, respectively 1.2 pfg and Y2.1 below its Friday closing levels. However, against the D-Mark its movements were rather more dramatic than that. It lost nearly 8 pfgs between Thursday night and yesterday morning in Lon-don, before bouncing high off support at DM1.78, its

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was belped by more threats from Tokyo to intervene for

the currency.

day, with London on holi-■ The best performing cur-

rencies yesterday were the Swiss franc, the pound, and the Australian and Canadian dollars. The Swissie remains

haven, hitting a five-month rencies prompted by the col-D-Mark. The pound is a good had been overdone. second, bucking the fall in

And the Australian and both hit all-time lows, Russian commodity indusattracted bargain-hunters. The Aussie dollar rallied nearly 2 cents against the US dollar to \$0.572 in late trading yesterday. The Canadian dollar gained 1.5 cents against the US currency to C\$1.564 yesterday, helped by more intervention from the Bank of Canada.

Carl Weinberg, chief economist at High Frequency Economics in New York, said the slump in these cur-

OTHER CURRENCIES

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All Futures, Options

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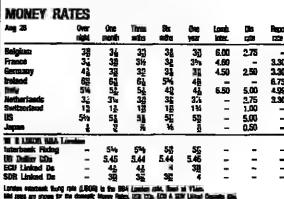
high against the strong lapse in commodity prices

He doubted that Russia would dump its commodities in the market, as other com-Canadian dollars, which had modity exporters fear. Many tries are already operating at full capacity, market analysts note.

And although commodity prices had dropped 25 per cent over the last year, the Australian dollar had fallen dollar, noted Mr Weinberg.

In the case of Canada, he banking sectors were each bigger than its commodity industries. He said Canada's economy supported a str rate rise last week yie were now higher than in US, with inflation lower.

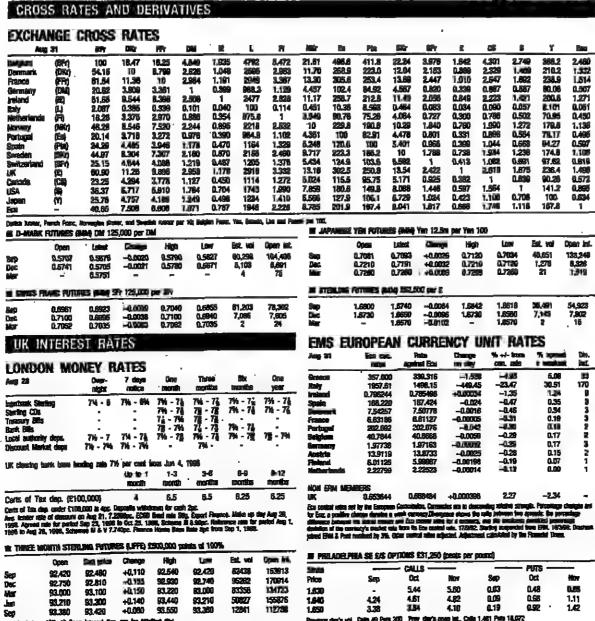
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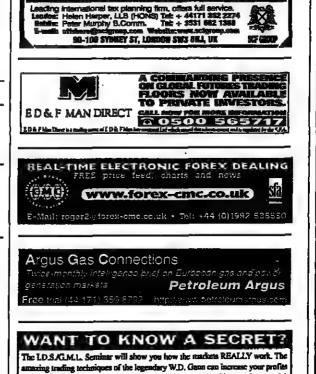


WORLD INTEREST RATES

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Pan .	98.430 96.360	98.460 96.425	+0.090	98.470 98.455	96.415 96.386	123182 82294	54 26
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	Open	Sett price	Change	High	Low	Set. voi	Ope
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	Open	Sett price	Change	High	LOw	Ept. vol	Ope
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Ām	95.340	96.380	+0.000	95.410	95,340	7765	84
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	98.300	98.330	+0.100	98.410	96.280	27637	72
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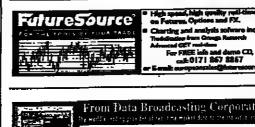


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BANK OF CRETE S.A. INVITATION FOR EXPRESSIONS OF INTEREST IN PURCHASING THE TOTAL

ASSETS OF ECON INDUSTRIES S.A. The Bank of Crete 5.A. (15 Voukourestiou Street, Athens 106 71), as special liquidator of the company ECON Industries 5.A. established at Manhopoulo, Attica, (hereafter "the company") which has been placed under special liquidation as per article 401 of Law 1892/90 by decision No. 7164/1998 of the Athens Court of Appeal, invites interested buyers to submit, within reversy (20) days from the publication date of the present invitation, a non-binding written expression of interest for purchasing, the total unests, as a whole of the comment referred to below: a whole, of the company referred to below:

The Company was established in 1969, in May 1997, it ceased to operate and ou 22-07-98 it was placed under special liquidation in accordance with article 46a of Low 1892/90 The company's function was the manufacture and sale of angineering, classro-optical and electronic products.

BRIEF DESCRIPTION

ASSETS FOR SALE

An industrial complex in the precincts of the municipality of Markopoulo, Artice, on a plot of land about 50,000m2 as area with buildings covering about 3,800m2 and 1,500 m2 under construction (concrete panels).

An industrial complex in the precincts of the minicipality Attien, on a plot of land of about 52,800m2 with buildings about 4,800m2 with screw and boli manufacturing machinery. Twenty-six (26) muching tools for the manufacture of high pre-

machine parts, i.e.: Four (4) ordinary milling cutters Nine (9) C.N.C. TRAUB and MAHO milling cutters Two (2) Indian-made drifts with Stemens motors
Two (2) Russian-made S.T.A.N. KOIMPORT rectifiers
One (1) ordinary lather made by Z.M.V. Bulgaria
Seven (7) C.N.C. tathes made by TRAUB, Germany
One (1) TRAUB/H.Y.V. - A.V. German propulsion system

(14) machines for the production of high-technology optical Three (3) automatic lens grinding and polishing machine One (1) semi-automatic machine for grain-granding and polishing lenses One (1) automatic lens-making machine

One (1) French THIRODE lens-making machine
Two (2) JEAN WIRTZ auxiliary lens-making machines One (1) German LOH automatic cantering and high-precision

diameter cutting machine
One (1) Swiss BALZERS optical coating machine
One (1) German LOH laser lens-cantering machine Machines for producing the electronic components of control systems

Three (3) printed circuit board solderers One (1) printed circuit board processor One (1) circuit printer

Two (2) temperature & humidity chambers Three (3) RUONIC printed circuit board assemble One (1) SONICOR printed circuit board cleaner One MITV TOYO quality control system

7) Fourteen (14) machines for workshop fitting, anxiliary work and small

8) One (1) electro-welding and phosphate-coating 9) Phosphate costing baths

(1) One (1) shavings colander

12) Fire-extinguishing system

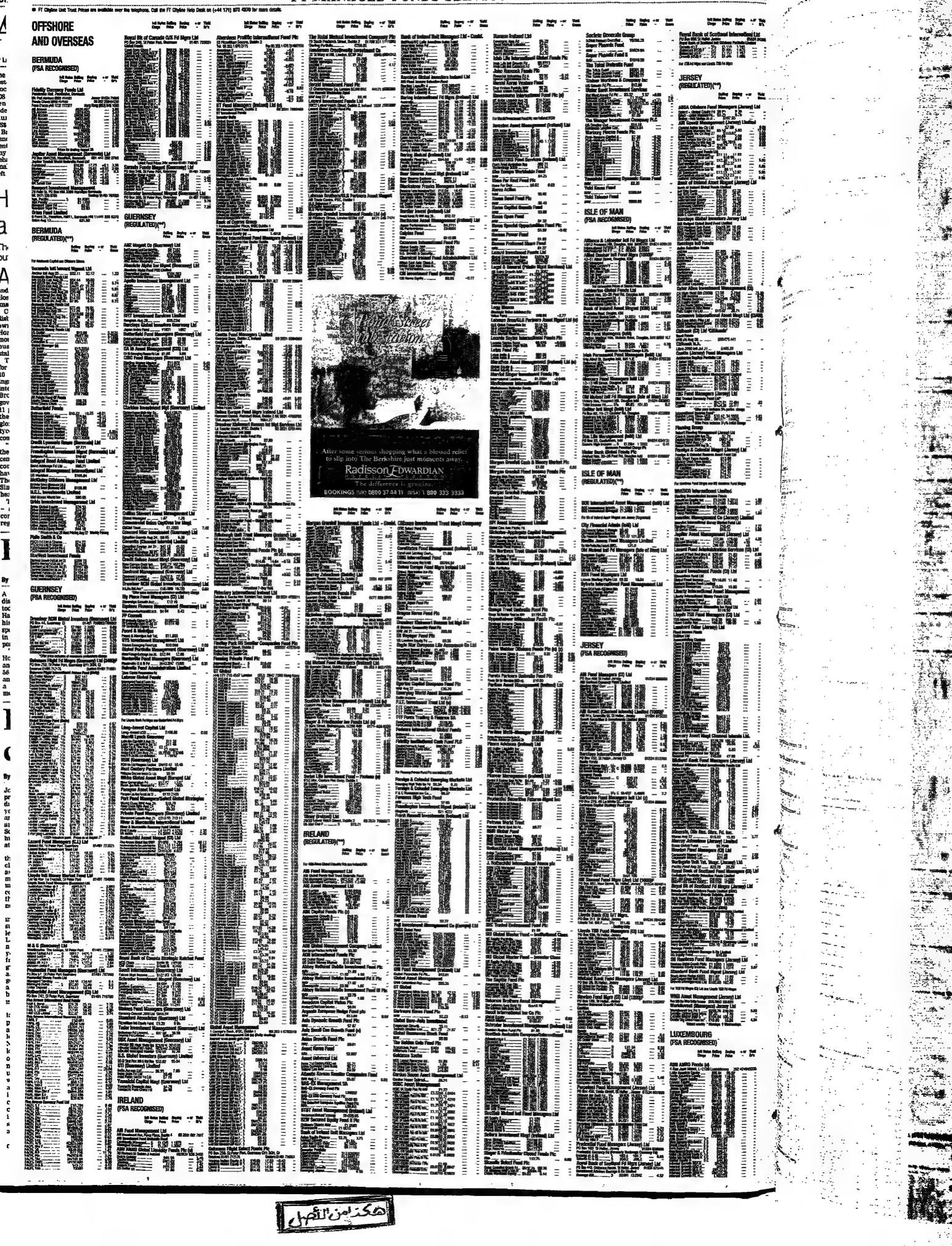
13) Other equipment (furniture, utensils, office desks, P.C.s., etc.)

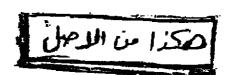
SALE PROCEDURE

Also on sale are the company name and trade mark, the company's participation in ancillary companies, its claims and any other element of its

The sale will be effected by means of a public auction to the highest bidder in accordance with the provisions of article 46a of Law 1892/1990 (as complemented by article 14 of Law 2000/1991 and subsequently modified) and the terms of the relative announcement of the auction which will be published in the Greek and foreign press within the legal time limits. SLIBMISSION OF EXPRESSIONS OF INTEREST - OFFERING

MEMORANDUM-INFORMATION In order to submit their expressions of interest and obtain the detailed Offeding Memorandum and additional information, interested parties should apply to the liquidator, Bank of Crete S.A. at 15 Vonkourestion Street, 106 71 Athens, Greece, Tel. (301) 3628301 - 4, Pax. (301) 3631113 (ask for Mr. apply to the argundator, Isana or Creas S.A. at 15 vouscoursmou Street, 100 /1 Athens, Greece, Tel. (301) 3628301 - 4, Fax: (301) 3631113 (ask for Mr. Zacharons Kasmandes or Mr. Nicholas Stassinos 1 or to the company's head office at Markopoulo, Atrica, Tel. (30299) 40533 and (30299) 40534 (ask for Mr Zacharias Kasurarides or Mr. Nicholas Stassinos. law





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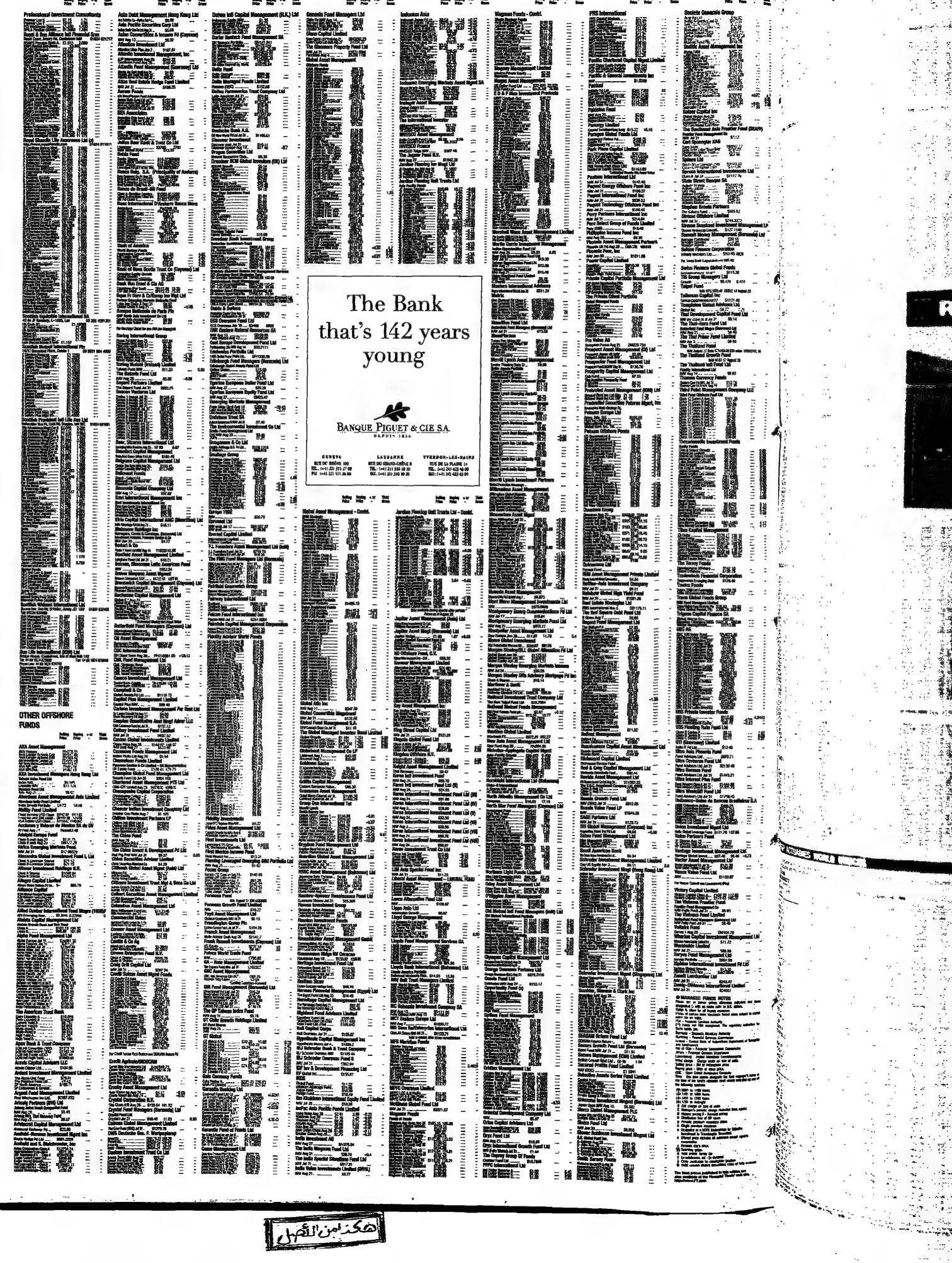
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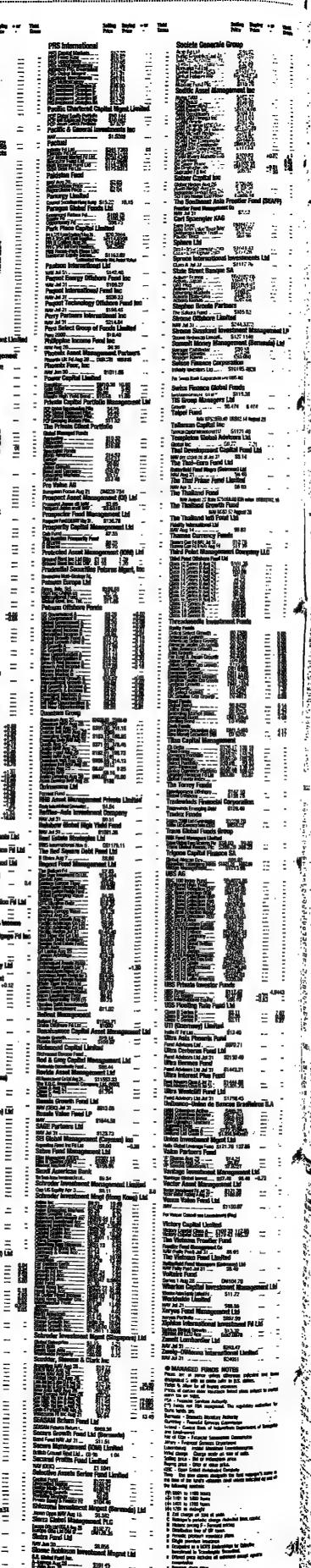
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FINANCIAL TIMES TUESDAY SEPTEMBER 1 1998 * 35 GLOBAL EQUITY MARKETS US INDICES **JAPAN** 初 Ang 1998 27 High Law Aug Aug 31 28 Aug. 27 Low 14107.00 12015.03 14412.79 17204.34 12015.03 (8/1) 8400 335 73 236 36 34 34 TOMOTO TRADUIC ACTIVITY Volume : 433,000,000 🖼 PARES TRADUIG ACTIVITY (161/56) 3606.02 (164/88) 255.40 (11*6*) 2827.34 ACTIVE STOCKS 13.23 (164) 25.40 677) Day's Day's change change for 1851 1851 Day's Day's change chape % Day's change (9/1) 2,410,219 1,878,103 1,780,252 992,974 059,467 848,152 812,032 787,422 737,776 305 248 252 143 +34 +20 +20 +15 +13.3 +12.7 +12.5 +11.7 +82 +82 +50 +48 927.58 1106.75 (9/1) (17/1709, 1077.40 1206.48 (9/1) (17/1709, 110.55 147.89 (9/1) (147740) Ups Zapaty TeleDo TeleDo Austrich Downe MCN Austrick Halldards Pajancia Changen Trank Accident Smilite Prov Che Chandi Lucant Tell Calle Calle Philiter 310 50 130 -9.6 -7.5 -7.4 -7.1 2.52 (20/8/32) 7.13 (49/74) 1,846,528 a,362,800 7,224,800 7,212,800 a,669,300 a,632,500 6,287,900 5,891,100 5,780,600 17% 10% 10% 42% -81.4 -12.6 -12.6 -11.4 -8 -20 -15 -56 467,47 (3/1) 622.50 (25/6) 1502.22 (3/1) 352.54 (26/6) 966.75 (1777/96) 759.67 (22/4/96) 2014.25 (20/7/96) 401.41 (21/4/96) 454 (25440) 524.20 (1877/00) 54.27 93).16 FTSE 100 Day's legit. - . Day's lee 4867.28 8171.43 1160 III LONDON TRADING ACTIVITY Stocks Student 37,558,600 23,549,600 23,206,200 23,206,200 18,152,560 13,000,100 13,000,100 8,614,500 8,165,200 Class price: 118% 77 948 462 1638 463 163 163 163 163 314 - 1120 Saccia izadet 2,716,727 889,880 805,982 548,911 927,322 483,127 334,977 329,343 283,881 Ups
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AMERICAS

A brief initial rally was

wiped out by late morning as

negative sentiment sent the

Dow Jones Industrial Aver-

age below the 8,000 level.

writes John Labate in New

By early afternoon the

Dow was off 148.30, a loss of

1.84 per cent, to 7,903.38

while the broader Standard

& Poor's 500 index fell 24.87

to 1,002.27. Earlier in the ses-

sion the Dow and the Nas-

dag composite index had

fallen below the levels at

which they began the year.

In the Dow, Boeing fell

\$1% to \$32% and Merck \$5%

to \$122. But selected stocks

gained ground, with Chev-

Despite carnage in most

sectors, financial stocks

were mixed, with several

banking shares on the mend after several days of sharp

sell-offs last week. Citicorp

rose \$1.1 to \$118.1 and Bank-

As investors continued to

sell leading blue-chip shares

including Microsoft, Dell

Computer and Cisco

Systems, the technology

weighted Nasdag composite

plunged 72.98 or 4.45 per cent

to 1,566.70. Microsoft was off

\$51 to \$1001 while Cisco

plunged 8.7 per cent to \$864.

SAO PAULO moved steeply

lower in early trading, rap-

idly reversing Friday's gains

as a renewed round of

emerging market uncer-

Wall Street sparked fresh

By midsession the Boyespa

cent at 6,537 in what brokers

described as very moderate

trading volumes.

index was off 209 or 3.1 per at midsession.

Investors unloaded a range

ron up \$1 1 to \$77.1.

Dow slides

8,000 level

down through

bled 15 per cent to \$90 while

America Online lost 7.5 per

Northwest Airlines fell

after it failed to reach a set-

tlement with striking work-

ers. Northwest shares

plunged 7 per cent to \$384.

Other airline stocks fell

back. UAL, parent of United

5.9 per cent to \$46% after

Lehman Brothers scaled

back its 1999 earnings esti-

mates. Small company

shares were hit with the

Russell 2,000 index off 3.1 per

TORONTO ran up against

currency weakness as well

as an uncertain start on

Wall Street and by noon the

300 composite index was off

Among leading industri-

als, Alcan Aluminium gave

up 55 cents at C\$30.45 and

ing's heaviest casualty, slid-

MEXICO CITY moved

lower in thin volumes with

sidelines by a volatile open-

ing for US shares. The IPC

index was off 25.47 at 3,128.67

SANTIAGO also ran up

against broad pessimism.

Everybody's running scared

per cent at 63.00.

ing 5.8 per cent to R\$18.00.

Airlines, lost \$11/2 to \$601/2.

cent to \$8814.

cent to 347.36.

67.91 at 5,698.40.

C\$13.05.

at C\$26.00.

tainty and a weak start on most investors forced to the

Telebras came off 1.9 per of Russia," said one broker.

cent at R\$86.00 and Petro- At midsession, the IPSA

bras lost 4 per cent at index was down 2.05 or 3.2

NOTICE TO THE HOLDERS OF

ANY OUTSTANDING SECURITIES OF

BAYERISCHE VEREINSBANK

BAYERISCHE VEREINSBANK OVERSEAS FINANCE N.V. (Issuer)

BAYERISCHE HYPOTHEKEN- UND

WECHSEL-BANK AKTIENGESELLSCHAFT

(Issuer and Guarmator)

BAYERNHYPO FINANCE N.V. (Lever)

NOTICE IS DEREBY GIVEN that, with effect from September 1, 1998 as a result of the merger of Bayerische Hypotheken- und Wechsel-Bank Aknengesellschaft mit Baverriche Vereinsbank Aktieneesellschaft, al.

tstanding obligations of Bayerische Hypotheken- und Wechsel-Bank Aktiencesells/half will become full obligations of Bayerische

Simultaneously, Bayersche Verenshank Aktiongesellschatt has changed ts curporate name to Bayerische Hypo- und Vereinsbank AG as from

Baversche Hypotheken und Wechsel-Bank Aktiengesellschaft für

Bayemhypo Finance N.V. have become full obligations of Bayerische

All definitive securities will continue to be valid and will neither b

All global securities issued or guaranteed by Bayensche Vereinsbani Aktremercellschaft and Bayersche Hypotheken- und Wechsel-Bank Aktiengevelischaft will from September 1, 1998 be deemed amended so

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WORLD STOCK MARKETS HK plunges as government support weakens

ASIA PACIFIC

Shares in HONG KONG slumped to a sharply lower close as the monetary authority stepped back after its huge buying campaign over the past fortnight.

The Hang Seng index tumbled 554.70 or 7.1 per cent to high-climbing internet finish at 7,275.04, after hitting a low of 7,233.81. Turnover shrank to just

HK\$6.6bb from Friday's record HK\$79bn with the aggressive buyer than in

By Friday, the market had risen by 17.6 per cent since August 14 when the monetary authority began its support operations.

Tellabs fell another \$2% or Analysts expect the market to continue to trend lower in the short term. although they say that it could meet stern resistance

Some traders caution. however, that if government

intervention weakens, the blue-chip index would break

below this level. News that North Korea fired a missile into waters between the Korean peninsula and Japan received a muted response from the market. Index heavyweight HSBC Holdings dragged the market lower, falling HK\$9

in a technical rebound after their recent sharp losses The red-chip China-Affiliated Corporations index added 0.2 per cent while H shares gained 3.5 per cent.

TOKYO was higher on an announcement that one of Japan's biggest banks would increase its capital reserves. writes Alexandra Harney. Investors saw the joint effort by several Japanese

companies to help Sakura

The Nikkei 225 average gained 192.26 or 1.4 per cent to 14,107.89 after finishing below the 14,000 barrier last global financial instability. The index moved between

lems as a positive sign.

the day. Trading volume was heavier than usual at about 433m shares, slightly below the frenzied pace at the end of

led decliners 876 to 295, with tie-up with Carrier, the US the group's converting pref-China plays outperformed 144 unchanged.

Banks were broadly higher on the Sakura Bank news, which includes investments from several Japanese companies, including Mitsui, the trading company, and Tovota Motor, Sakura gained Y28 to Y248 and Toyota

climbed Y60 to Y3010. The Bank of Tokyo-Mitsubishi was up Y22 to Y998. Puji Bank gained Y9 to Y399. and Asahi Bank improved

Y32 to Y437. Bank's balance sheet prob-But Sanwa Bank plunged Y32 to Y808, and Sumitomo bank lost Y15 to Y1.008. The Long Term Credit Bank of Japan, which has been at the week on concerns about centre of a political debate over a solution to the financial sector's bad loan prob-13,845.15 and 14,224.18 during lems, lost Y4 to Y50 in heavy

> Electronics companies and other exporters were mixed. Toshiba, the second largest electronics maker, gained Y4 to Y507 on early reports of a

turer. Hitachi, the electronics group, was up Y21 to Y707. But Nissan Motor lost Y4 to Y376.

FINANCIAL TIMES TUESDAY SEPTEMBER 1 1998

The Topix index of firstsection stocks closed 1.8 per cent or 19.5 higher at 1,106.49. In Osaka, the OSE index improved 175 to 15,363. TAIPEI fell to a fresh 22-

month low with sentiment hadly shaken by the big sell-off in Hong Kong. The weighted index lost 85.81 or 2.8 per cent to 6,550.11 and is now 29 per cent below its 1998 peaks of

Shin Kong Life tumbled T\$3.60 to T\$47.90. SYDNEY fell 36.2 or 1.4 per cent to 2.480.7 on the All Ordinaries index, not helped by a steep decline for News Corp. The media giant ended off 78 cents at A\$10.69 on

early March. Taiwan Semi-

air conditioner manufac- erence shares were converted into ordinary stock. Among resource sectors. GIO Australia fell 8 cents to

A\$5.02 and BHP 34 cents to A\$12.06. Mayne Nickless shed 30 cents to A\$9.08 on the news that its telecoms unit Optus has a further

SECUL saw hopes raised by expectations of government measures to help boost the sluggish economy, while sentiment was also supported by efforts by Washington and Moscow to resolve the economic turmoil in Russia. The composite index rose 5.37 or 1.8 per

MANAGER PURE

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conductor came off T\$1.50 at cent to 310.16. T\$61.50. Among financials,

SINGAPORE was badly depressed by the slide in Hong Kong, and the Straits Times index made its debut with a fall of 28.83 or 3.3 per cent to 856.48. The new index has replaced the old 30-share Straits Times Industrial

Russian worries give bourses a rocky ride

there was weakness too in golds with Barrick off 15 European confidence was cents at C\$20.75 and Placer badly dented by the continu-Dome down 70 cents at ing uncertainty over developments in Russia, where Banks were steady. Royal the Communist-led parliament rejected President Bank of Canada added 25 cents at C\$60.70 and Bank of Boris Yeltsin's choice of nrime minister, as well as by Nova Scotia gained 10 cents Wall Street's mid-morning

Northern Telecom rose pull-back. C\$1.50 to C\$25.50 ahead of an FRANKFURT closed a rocky session 2.3 per cent of tech shares, including merger with Bay Networks. lower with the Xetra Dax index registering a loss of 114.52 at 4,811.28 by the close São Paulo falls back

of electronic trade. Vereinsbank lost DM9.50 to DM134.50 ahead of today's official merger with Hypo-Bank as investors registered their disappointment after the bank cautioned that it expected its risk provisions to be unchanged at DM2.5bn this year.

Viag gave up DM37.50 to DM1,118 after the company said its Bayernwerk power utility would pay a premium for the outstanding Contiges

MOSCOW edged down with the market paralysed by the Duma's rejection of

prime minister. The RTS index closed 1.15 lower at

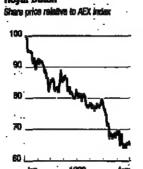
PARIS fell 50.86 to 3,658.11 on the CAC 40 index with the expiry of the leading futures contract adding to general uncertainty. Volume was again below average. Thomson-CSF tumbled

FFr10.50 to FFr193.90 and chips group STMicroelectronic shed FFr15 to FFr335. Bic was the worst performer, sliding FFr22.40 or 6.3 per cent to FFr332.60 on talk that the throw-away products group faced demotion from the CAC 40 index.

Retailers showed defensive qualities. Promodès added FFr82 at FFr3.872 and accuisition news belped supermarket leader Carrefour to close all-square at FFr3,464. ZURICH finished another

volatile, uncertain session lower with the SMI index down 107.5 or 1.6 per cent at 6,679.4. Financials remained under pressure. CS Group, which rose initially to SFr374, finished SFr8.50 lower at SFT253.50. UBSD was SFr13 lower at SFr467. Novartis tumbled SFr55 to

Royal Dutch



cals and nutrician group's chief executive played down a newspaper report claiming that falsified laboratory data by a sacked researcher had caused the group more than SFr10m in damage. Daniel Vasella dismissed the report

as "gross exaggeration". AMSTERDAM ended lower in spite of a strong run for market heavyweight Royal Dutch following a fresh outbreak of speculation that the oil glant was set to mirror the recent BP-Amoco deal and merge with Texaco.

early trade, ended up Fl 1.50 at F188.20 in 8.5m shares traded after a denial from Texaco that the two were involved in talks. The US group described the rumours

as "wild speculation". Philips fell Fl 4.50 to casualty was Buhrmann which lost Fl 2.30 or 4.9 per cent at Fl 45. The AEX index closed off 6.77 at 1,086.63.

Among smaller caps, TNT slipped Fl 1.90 to Fl 41.80 with solid first-half results overshadowed by the post group's plans for possible cross-border acquisitions.

Groisch surged after the brewer's management announced it had turned down a bid from Interbrew of Belgium. The shares ended F17 or 15 per cent higher at Fl 53.50 after touching a session best of

FI 55 at the opening bell. MILAN extended its losses as Wall St pulled back and the Mibtel index finished 344 lower at 21,086.

Banks again led the retreat on worries about their exposure to emerging Royal Dutch, which markets. Banca di Roma lost

stormed shead to F193 in L191 to L3,370 and Medio- plunge from their record banca L1,048 to L18,907.

Against the trend, shares in Lazio were sharply higher after the Rome football team's 2-1 weekend victory purchase of Christian Vieri from Madrid's Atletico also FI 129.80 while the heaviest continued to lend support and the shares closed L217

higher at L5,604. MADRID had a steady session with the general index dipping 6.26 to 737.05. The banks supplied most of the underpinning thanks to a round of bargain hunting.

Santander, which has shed more than a quarter in value over the past seven trading days, added Pta115 to Pta2,800. BBV rose to Pta2,085 in early trading but closed Pta35 higher at Pta1,980 after declaring an interest in taking a big minority stake in Banca Naz-

ionale del Lavoro of Italy. BRUSSELS saw a BFT50 fall in Tessenderlo to BFr1,850 as the chemicals company continued to suffer from a slide in PVC prices. The shares fell to an intraday low of BFr1,795, repre-

senting a near 38 per cent

high set in June. Deceuninck Plastics Industries put on BFr150 to BFr10,400, benefiting from the lower prices for its raw materials. The Bel-20 over Juventus. The team's index, which includes Tes-

senderlo, lost 54.05 to 3,172 HELSINKI extended early losses, hit again by losses in companies with exposure to Russia. The Hex index fell 69.43 or 1.6 per cent to 4.318.91.

Written and edited by Michael Morgan, Jeffrey Brown and

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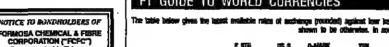
Shares in Johannesburg rallied modestly towards the close, paring the day's losses to 62.9 on the all share index

which ended at 4.923.4. Golds did their best to keep sentiment positive with the sector responding to a rebound for bullion with a rise of 34.4 or 4.6 per cent to

However, financials ran into a heavy bout of selling, losing 282.1 or 3.7 per cent to 7.442.9 while industrials

came off 62.2 to 5,854.6.

Viktor Chernomyrdin as SFr2.249 as the pharmaceuti-

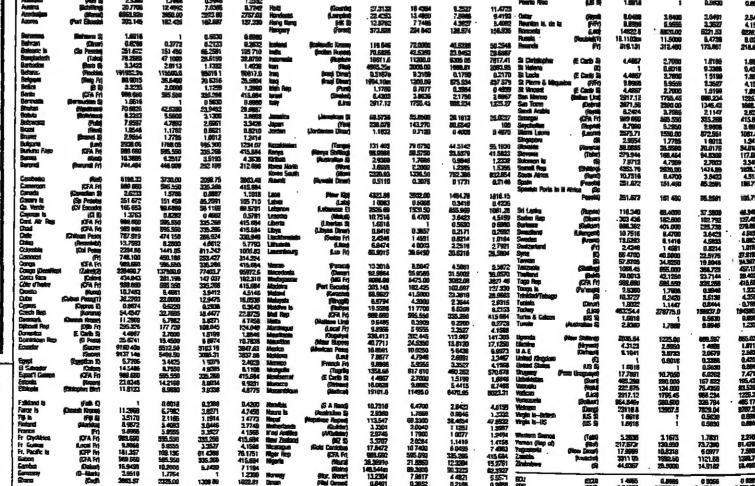


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WestLB Finance Coração N.V. TTI 150 AND RAN ÔDE 7.625 % Notes 1997 (02) C80

issued personal to the Fora-MITALP October, 1st, 1996 According to section 4 (c) of the Tenns and Conditions of the Votes this is to notify that all notes of the above me et per as of October 1st, 1998.

> seldorf, August 25th, 1998 WestLB



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Floating Rate Notes due 2006 For the period from August 21, 1998 to November 20, 1990 the Notice will carry an attended rate of LUMBER per angusts with an inferror amount of ECC 11,000 per ECC 10,000 and of ECC 1,050 35 per ECU 10,000 Note

Amethyst Funding Corporation I

s USD 18,839.57 on 1" September 1998 ELI (Lucembourgi S.A Agent Bank dated 1 September 199

PDI Bonds due 2015

will bear interest at 6.625%, per annum. February 26, 1999 will be a Reduced Interest Payment Date. On such date, U.S. \$18.59 of interest per U.S. \$1.31.66 lace annum of Bonds will be payable and U.S. \$19.31 of interest per U.S. \$1,31.65 face amount will be capitalized. The sum of all capitalized amounts to and including February 26, 1999 is U.S. \$150.97 per U.S. \$1,000 face amount of Bonds.

By: The Chase Machattan Bank September 1,1998 OCHASE

U.S. \$1,434,690,000 Republic of Ecuador Discount Bonds due 2025

For the six months August 28, 1998 to February 26, 1999 the Bonds will bear interest at 6,625% per arrum. The interest psychic on the relevant interest payment date, February 25, 1999 will be U.S. \$33.49 per U.S. \$1,000 Bond. September 1,1988 OCHASE

Republic of Ecuador PDi Bonds due 2015 Pursuant to the larms of the PDI Pursuant to the serious of the PAN Sends, the Republic of Ecuador has elected to capitalize a portion of the interest payable for the Interest Period from August 28, 1998 to February 28, 1999. Therefore, February 28, 1999 will be a Reduced Interest Payment Date. as Riscal Agent September 1, 1998 OCH ASE

Notice of Reduced Interes